IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR (2) PURCHASING THE NOTES DESCRIBED IN THE PRELIMINARY OFFERING MEMORANDUM OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA"), A QUALIFIED INVESTOR, WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION")).

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum following this notice (the "Preliminary Offering Memorandum"), whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Preliminary Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The Preliminary Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE PRELIMINARY OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE PRELIMINARY OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation. In order to be eligible to view the Preliminary Offering Memorandum or make an investment decision with respect to the securities described in the Preliminary Offering Memorandum, investors must be either (1) QIBs or (2) persons who are outside of the United States in an offshore transaction in reliance on Regulation S; provided that investors resident in a Member State are qualified investors within the meaning of Article 2(e) of the Prospectus Regulation (a "Qualified Investor"). The Preliminary Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and each of the Initial Purchasers (as defined in the Preliminary Offering Memorandum), being the senders of the Preliminary Offering Memorandum, that:

(1) you acknowledge that you are receiving such Preliminary Offering Memorandum by electronic transmission; and

(2) either:

   (a) you and any customers you represent are QIBs; or

   (b) (i) you and any customers you represent are outside the United States and (ii) the e-mail address that you gave us and to which the Preliminary Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and

(3) if you are resident in a Member State, you are a Qualified Investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities offered under this Preliminary Offering Memorandum will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

You are reminded that the Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Preliminary Offering Memorandum to any other person.

The materials relating to the Offering (as defined herein) do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any of the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction. Under no circumstances shall the Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Preliminary Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The Preliminary 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 the Preliminary Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Preliminary Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The Preliminary Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any of the Initial Purchasers, the Issuer, the Guarantors (each term, as defined in the Preliminary Offering Memorandum) or any of their respective directors, officers, employees, agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the debt securities described in this Preliminary Offering Memorandum has led to the conclusion that (i) the target market for such debt 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 debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (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 debt securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA and UK Retail Investors

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

SUBJECT TO COMPLETION, DATED JUNE 22, 2020

PRELIMINARY OFFERING MEMORANDUM
STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

ENGINEERING

Centurion Bidco S.p.A.

€640.0 million Senior Secured Notes
(in a combination of fixed and floating rate notes)
€ % Senior Secured Fixed Rate Notes due 2026
€ Senior Secured Floating Rate Notes due 2026

Centurion Bidco S.p.A., a *società per azioni* incorporated under the laws of Italy (the "Issuer"), is offering (the "Offering") € million in aggregate principal amount of its % Senior Secured Fixed Rate Notes due 2026 (the "Fixed Rate Notes") and € million in aggregate principal amount of its Senior Secured Floating Rate Notes due 2026 (the "Floating Rate Notes" and, together with the Fixed Rate Notes, the "Notes") as part of the financing for its acquisition (the "Acquisition") of Engineering Ingegneria Informatica S.p.A., a *società per azioni* incorporated under the laws of Italy (the "Target"). See "*Summary—The Transactions*" and "*Use of Proceeds*."

The Issuer will pay interest on the Fixed Rate Notes at a rate of % per annum, payable semi-annually in arrears on each and , commencing on , 2021. Prior to , 2022, the Issuer will be entitled, at its option, to redeem all or any portion of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, to, but excluding, the date of redemption, plus a "make whole" premium. In addition, prior to , 2022, the Issuer may redeem up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including the aggregate principal amount of any additional Fixed Rate Notes issued) in each calendar year at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to but excluding, the date of redemption. Furthermore, prior to , 2022, the Issuer may redeem, at its option, up to 40% of the original principal amount of the Fixed Rate Notes with the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum, provided that, *inter alia*, at least 50% of the original principal amount of the Fixed Rate Notes remains outstanding. At any time on or after , 2022, the Issuer may redeem all or part of the Fixed Rate Notes at the redemption prices set forth in this Offering Memorandum. The Fixed Rate Notes will mature on , 2026.

The Issuer will pay interest on the Floating Rate Notes at a rate equal to three-month EURIBOR (with a 0% floor) plus % per annum, reset quarterly. Interest will accrue on the Floating Rate Notes quarterly in arrears on each of , , and , commencing on , 2020. Prior to , 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus a "make whole" premium. At any time on or after , 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Floating Rate Notes at the redemption prices set forth in this Offering Memorandum. The Floating Rate Notes will mature on , 2026.

In addition, in the event of certain developments affecting taxation, the Issuer may elect to redeem all, but not less than all, of the Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any. In addition, in connection with certain tender offers for either series of Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes of such series 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 of such series validly tendered and not withdrawn by such holders of Notes, the Issuer or such third party will have the right to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes in such offer. See "*Description of the Notes—Optional Redemption*." Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase all 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. See "*Description of the Notes—Change of Control*."

Pending consummation of the Acquisition, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit the gross proceeds from the Offering into segregated escrow accounts, each in the name of the Issuer (the "Escrow Accounts"). The Escrow Accounts will be controlled by the Escrow Agent (as defined herein) and pledged in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of the Escrowed Property (as defined herein) from the Escrow Accounts 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) promptly following the release of the funds from the Escrow Accounts. If the conditions to the release of the Escrowed Property have not been satisfied on or prior to the Escrow Longstop Date (as defined herein) or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption (as defined herein). The Special Mandatory Redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the date of such Special Mandatory Redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

Following the Acquisition Closing Date (as defined herein), we intend to use commercially reasonable efforts to merge the Issuer with the Target in accordance with applicable provisions of Italian law and as further described herein, with MergerCo (as defined herein) being the surviving entity (the "Post-Completion Merger") as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all*."

The Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the Notes and will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Revolving Credit Facility (as defined herein).

Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any of its subsidiaries. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure (as defined herein) and guarantee the Notes on a senior secured basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See also "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." The Target will also guarantee our obligations under the Revolving Credit Facility on or prior to the date on which the Target provides its Guarantee (as defined herein) under the Indenture (as defined herein), to the extent applicable. In particular, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target is expected to provide a guarantee in respect of its obligations under the Revolving Credit Facility Agreement within thirty Business Days from the first anniversary of the Acquisition Closing Date, whereas the Target will not be required to provide its Guarantee until the date falling eighteen months following the Acquisition Closing Date. Prior to the Post-Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target). After the granting of the Guarantee by the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, none of MergerCo's subsidiaries is expected to guarantee the Notes, and the Notes will therefore be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

On the Issue Date, the Notes will be secured, subject to certain perfection requirements, by the Escrowed Property. On or about the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Completion Collateral (as defined herein). Within ten Business Days from the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Completion Collateral (as defined herein). Within ten Business Days from (and excluding) the Merger Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Merger Collateral (as defined herein). In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within twenty Business Days following the issuance by the Target of its Guarantee, the Notes will also be secured, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, by the Target Collateral (as defined herein). Each of the Escrowed Property, the Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral and (if applicable) the Target Collateral is further described under "*Description of the Notes—Security*." The Collateral (as defined herein) will also secure the Revolving Credit Facility and certain hedging obligations (if any) on a *pari passu* basis. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Revolving Credit Facility Agreement is expected to be secured by the Target Collateral within thirty Business Days from the date falling twelve months after the Acquisition Closing Date, whereas the Target Collateral will only be required to be granted in relation to the Notes within twenty Business Days following the issuance by the Target of its Guarantee. Under the terms of the Intercreditor Agreement (as defined herein), and subject to applicable laws, in the event of an enforcement of the Collateral, the holders of the Notes will be treated as *pari passu* among each other, although they will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) have been repaid in full. In addition, subject to applicable laws, the Guarantee and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture, the Intercreditor Agreement, and to applicable laws, the Collateral may be pledged to secure future indebtedness. The Guarantee and the Collateral will be subject to certain material limitations pursuant to applicable laws as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." See also "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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*," "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*" and "*Description of the Notes—Security*."

This Offering Memorandum includes more detailed information on the terms of the Notes and the Guarantee, including redemption and repurchase prices, security, covenants, events of default and transfer restrictions. Subject to and as set forth in "*Description of the Notes—Withholding Taxes*," the Issuer will not be liable to pay any Additional Amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("Decree No. 239"), 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 the Notes—Withholding Taxes*."

There is currently no market for the Notes. This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange (the "Exchange") and to admit the Notes to trading on the Euro MTF Market.

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

Issue Price for the Fixed Rate Notes: % plus accrued interest, if any, from the Issue Date
Issue Price for the Floating Rate Notes: % plus accrued interest, if any, from the Issue Date

None of the Notes or the Guarantee have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and they may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, this Offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside of the United States, this Offering is being made in connection with offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "*Plan of Distribution*" and "*Notice to Investors*."

The Notes will be in registered form and will initially be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof and will only be transferable in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. On the Issue Date, the Notes will be represented by one or more Global Notes (as defined herein) delivered through a common depositary of Euroclear SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"). See "*Book-Entry; Delivery and Form*."

Global Coordinators and Joint Bookrunners

BNP PARIBAS **Credit Suisse** **Banca IMI**

Joint Bookrunners

Banca Akros S.p.A.—Gruppo Banco BPM **Deutsche Bank** **Nomura** **UBI Banca** **UniCredit Bank**

The date of this Offering Memorandum is , 2020.

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

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "*PLAN OF DISTRIBUTION*" AND "*NOTICE TO INVESTORS*." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

This Offering is being made on the basis of this Offering Memorandum only. Any decision to purchase Notes in the Offering must be based on the information contained in this Offering Memorandum. None of the Issuer, the Guarantors or BNP Paribas, Credit Suisse Securities (Europe) Limited, Banca IMI S.p.A., Banca Akros S.p.A.—Gruppo Banco BPM, Deutsche Bank AG, London Branch, Nomura International plc, Unione di Banche Italiane S.p.A. and UniCredit Bank AG (each an "Initial Purchaser" and together, the "Initial Purchasers") have authorized anyone to provide you with any information or represented anything about the Issuer, the Guarantors or any of their respective affiliates, their financial results or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Guarantors or any of the Initial Purchasers. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

This Offering Memorandum is confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the Offering. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. This Offering Memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of this Offering Memorandum without the prior written consent of the Issuer is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and you agree to make no copies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

Each of the Issuer and the Guarantors, having made all reasonable enquiries, confirms that, to the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case), this Offering Memorandum contains all information that is material in the context of the issuance and offering of the Notes and the Guarantee, that the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make this Offering Memorandum or any such information misleading in any material respect. The information contained in this Offering Memorandum is correct as of the date hereof. 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 Guarantors 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. The Issuer accordingly accepts responsibility for the information contained in this Offering Memorandum.

The information contained in this Offering Memorandum has been furnished by the Issuer and other sources we believe to be reliable.

None of the Initial Purchasers, and no employee or affiliate of the Initial Purchasers, has authorized the contents or circulation of this Offering Memorandum, and none of the Initial Purchasers, and no employee or affiliate of the Initial Purchaser, assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

In accordance with normal and accepted market practice, none of the Trustee, the Security Agent (as defined below), the Paying Agent (as defined below), the Registrar (as defined below), the Calculation Agent (as defined below), nor the Transfer Agent (as defined below) is responsible for the contents of this Offering Memorandum or expresses any opinion as to the merits of the Notes under this Offering Memorandum.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, the Target, the Guarantors, any of their respective affiliates, or the Initial Purchasers. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of some of which will be made available upon request, for the complete information contained in those documents. By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantors, the Target and any of their respective affiliates, the terms of the Offering and the merits and risks involved.

In addition, for so long as the Notes are listed on the Exchange and the rules and regulations of the Exchange so require, the Issuer will also provide a copy of the foregoing information and reports to the Exchange. Furthermore, for so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any year in which the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), nor exempt from such reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, as amended, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer.

This Offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

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. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Plan of Distribution*" and "*Notice to Investors*."

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Calculation Agent, the Security Agent, the Transfer Agent or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable laws or regulations. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of the Offering Memorandum, see "*Notice to Investors*."

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Calculation Agent, the Security Agent, the Transfer Agent or their respective affiliates will have any responsibility therefor.

Neither the Issuer nor any of the Initial Purchasers are making an Offering in any jurisdiction where the Offering is not permitted. No action has been taken by the Initial Purchasers, the Issuer, the Guarantors, or any other person that would permit an Offering or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer, the Guarantors, or any of the Notes in any country or jurisdiction where action for that purpose is required.

The Notes will only be issued in fully registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). Notes sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") will 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 Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") and registered in the name of the nominee of the common depositary. See "*Book-Entry; Delivery and Form*."

The information contained under the headings "*Summary*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*" and "*Business*" includes extracts from information and data, including industry and market data, prepared by third parties. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and accepts no further responsibility in respect thereof. However, as far as the Issuer and the Guarantors are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

The information set forth in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. None of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will 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 such book-entry interests.

Application has been made to list the Notes on the Exchange and to admit them for trading on the Exchange, and we intend to submit this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. We may also be required to update the information in this Offering Memorandum to reflect changes in the business, financial position or results of operations and prospects of the Issuer, the Guarantors and their respective subsidiaries. There can be no assurance that the application for admission of the Notes on the Exchange will be approved or that such listing will be maintained and settlement of the Notes is not conditioned on obtaining this listing.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, BNP PARIBAS (THE "STABILIZATION MANAGER") (OR PERSONS ACTING ON ITS BEHALF), 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 NOT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZATION MANAGER (OR PERSONS ACTING ON ITS BEHALF) TO DO THIS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

NOTICE TO U.S. INVESTORS

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved the Notes or the Guarantee, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offence in certain jurisdictions.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Notice to Investors*." The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and the Notes are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*."

CERTAIN CONSIDERATIONS REGARDING SALES INTO CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal, that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights, or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area and United Kingdom

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

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

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

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

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

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

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of any Initial Purchaser that is a manufacturer, the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that (i) the target market for such Notes 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 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA and UK Retail Investors

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

Italy

No action has been or will be taken which could allow an offering to the public in the Republic of Italy within the meaning of Article 1(1)(t) of Legislative Decree No. 58 of February 24, 1998, as subsequently integrated and amended (the "Italian Financial Act") and, in particular, the Offering has not been submitted to the clearance of 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 review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in the Republic of Italy, and neither this Offering Memorandum nor any other offering memorandum, prospectus, form of application, advertisement, other offering material or other documentation relating to the Notes may be issued, distributed or published in the Republic of Italy, either on the primary or on the secondary market, except: (a) to qualified investors (*investitori qualificati*) as referred to in Article 2(e) of the Prospectus Regulation; or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and Article 34-*ter*, first paragraph of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "Issuer Regulation") and any other applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum nor any other material relating to the Notes, may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, Paragraph 1(r) of the Italian Financial Act), permitted to conduct such activities in the Republic of Italy in accordance, as applicable, with Legislative Decree No. 385 of September 1, 1993 (the "Italian Banking Act") as subsequently integrated and amended, the Italian Financial Act, the Issuer Regulation, CONSOB Regulation No. 20307 of February 15, 2018, as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which 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) and/or other competent Italian authority. 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 "*Notice to Investors*."

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.

United Kingdom

This Offering Memorandum is for distribution only to, and is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in 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 Articles 49(2)(a) to (d) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise be lawfully 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. Any person who is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements, including statements about our strategy, investment program, future operations, industry forecasts, expected acquisitions, transactions and investments (including the Acquisition), and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "seek," or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in "*Risk Factors*." In addition, even if our actual results 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. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- competition from existing or future players in our markets;
- political and economic uncertainty in Italy;
- technological change;
- regulation of our customers' industries;
- personal data breaches;
- consolidation in our industry;
- cybersecurity;
- damage to our infrastructure and facilities;
- failure to satisfy our customers' expectations;
- reputation of our brand;
- provision of services to government entities;
- pandemics and other diseases;
- delays in payments by our customers;
- risks related to the acquisition of other businesses;
- failure to accurately estimate costs;
- loss of customers;
- uncertainties inherent in competitive bidding processes;
- trends in the banking and financial services industries;
- reliance on third-party providers;
- decisions by our customers to choose our partners as suppliers over us;
- reliance on third-party open source software;
- failure to protect our intellectual property;
- infringement of intellectual property owned by others;
- investment required by sales efforts;
- ineffectiveness of our cost-saving measures;
- failure to attract and retain skilled employees and executives;

- loss of members of our senior management;
- insufficient insurance coverage;
- failure to maintain effective systems of internal controls;
- litigation;
- labor disruptions;
- liability for actions of our employees, executives, directors or other agents;
- risks associated with operating in several jurisdictions;
- tax laws;
- changes to accounting standards;
- failure to comply with anti-corruption and anti-bribery laws;
- impact of the COVID-19 pandemic on estimates made prior to its outbreak;
- value of our goodwill;
- non-controlling shareholders of our subsidiaries;
- revenue generation, cash collection and billing partners;
- inability to obtain bid bonds securities or guarantees required for participation in public tenders;
- liabilities owed under post-employment benefits; and
- other factors discussed under "*Risk Factors*."

These risks and others described under "*Risk Factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our financial position, results of operations and liquidity. New risks can 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 risks, or combination of risks and other 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.

Any forward-looking statements are only made as at the date of this Offering Memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this Offering Memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Offering Memorandum. As a result, you should not place undue reliance on these forward-looking statements.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this Offering Memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on market data, statistical information, sector reports and third-party studies as well as on our own estimates.

We operate in an industry in which it is difficult to obtain precise industry and market information. In drafting this Offering Memorandum, we used industry sources, market research, publicly available information, industry publications and sources of market data, such as reports prepared by Gartner, Inc. ("Gartner"), the Anitec-Assinform Italian Association for Information and Communication Technology ("Anitec-Assinform"), the Italian National Institute of Statistics ("ISTAT"), the Statistical Office of the European Union ("EUROSTAT") and the World Bank. To the extent that information was taken from third parties, such information has been accurately reproduced by us in this Offering Memorandum and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Market studies and analyses are, however, frequently based on information and assumptions that may not be accurate or technically correct, and their methodology may be forward-looking and speculative. We have not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third party sources contained in this Offering Memorandum or for the accuracy of third party data on which our estimates are based.

The Gartner content described herein (the "Gartner Content") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, and are not representations of fact. Gartner Content speaks as of its original publication date (and not as of the date of this Offering Memorandum), and the opinions expressed in the Gartner Content are subject to change without notice. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. The Gartner Report only covers the market position of the Target Group with respect to five industry verticals, (i) Finance, (ii) Energy & Utilities, (iii) Telco & Media, (iv) Industry & Services and (v) Public Administration and Health, while we report our results of operations from activities provided to public administration customers and customers in the healthcare industry through two separate segments, Health and Public Administration. Throughout this Offering Memorandum, we present our combined market share for our Health and Public Administration industry verticals in a Public Administration and Health industry vertical. In addition, throughout this Offering Memorandum, we present our market share by industry vertical only for Implementation activities, which contributed the vast majority of our revenue in the year ended December 31, 2019. In addition to Implementation activities, we also engage in Application Managed Services and other niche activities.

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

MARKET SHARE AND OTHER INDUSTRY DATA AND INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM, AND IN PARTICULAR ESTIMATED MARKET GROWTH RATES AND OTHER INDUSTRY-RELATED FORECASTS, WERE PREPARED PRIOR TO OR CONCURRENTLY WITH THE OUTBREAK OF THE COVID-19 PANDEMIC, WHICH STARTED IN LATE 2019 AND HAS SINCE HAD A MATERIAL EFFECT ON THE IT SERVICES AND SOFTWARE & SOLUTIONS MARKETS IN OUR COUNTRIES OF OPERATION. AS A RESULT, NONE OF SUCH DATA OR INFORMATION HAS

BEEN UPDATED TO ACCOUNT FOR THE ONGOING IMPACT OF THE COVID-19 PANDEMIC ON THE IT SERVICES AND SOFTWARE & SOLUTIONS MARKETS IN THE COUNTRIES IN WHICH WE OPERATE. CONSEQUENTLY, NEITHER WE NOR THE INITIAL PURCHASERS MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF ANY SUCH DATA OR INFORMATION IN THIS OFFERING MEMORANDUM AND YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH DATA AND INFORMATION. SEE "*RISK FACTORS—RISKS RELATED TO OUR BUSINESS AND INDUSTRY—ANY OUTBREAK OF SEVERE COMMUNICABLE DISEASES, INCLUDING COVID-19, MAY MATERIALLY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.*"

TAX CONSIDERATIONS

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

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.

CERTAIN DEFINITIONS

The following terms used in this Offering Memorandum have the meanings assigned to them below:

"Acquisition"	The acquisition by the Issuer of the entire issued and outstanding share capital of the Target, as described under "*Summary—The Transactions*."
"Acquisition Agreement"	The sale and purchase agreement dated as of February 5, 2020, as subsequently amended and supplemented on May 1, 2020, described under "*Summary—The Transactions—The Acquisition*."
"Acquisition Closing Date"	The date on which the Acquisition will be consummated.
"Additional Amounts"	has the meaning given to such term in "*Summary—The Offering—Additional Amounts.*"
"Agreed Security Principles"	The agreed security principles as set forth in an annex to the Indenture and summarized in "*Description of the Notes—Security—General*."
"Anitec-Assinform"	Anitec-Assinform Italian Association for Information and Communication Technology.
"Bain Capital"	Bain Capital Investors LP, and its affiliates, including Bain Capital Fund IV and, where applicable, the other funds and limited partnerships managed or advised by them, and any co-investors.
"Business Day"	Each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, United States of America, or London, United Kingdom are authorized or required by law to close.
"CAGR"	means compound annual growth rate.
"Calculation Agent"	Elavon Financial Services DAC, in its capacity as calculation agent.
"Centurion Holdco"	Centurion Holdco S.à r.l., established as a *société à responsabilité limitée* under the laws of Luxembourg, which is the direct parent of TopCo.
"Collateral"	Collectively, the Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral, the Target Collateral (to the extent granted) and any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligation under the Indenture or the Notes and/or any Guarantee, in each case as may be in existence from time to time, as the context may require.
"Completion Collateral"	The collateral securing the Notes on or about the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, consisting of a pledge over (i) all of the shares of the Issuer held by TopCo, (ii) any structural intercompany receivables owed to TopCo by the Issuer (if any) and (iii) the material bank accounts of the Issuer held in Italy (without control over use) (if any) on a first-priority basis, each as further described under "*Description of the Notes—Security.*"
"Escrow Accounts"	The two segregated escrow accounts in the name of the Issuer into which the gross proceeds of the Offering of the Fixed Rate Notes and the Floating Rate Notes, respectively, will be deposited on the Issue Date.
"Escrow Agent"	JPMorgan Chase Bank, N.A., in its capacity as escrow agent.

"Escrow Agreement"	The agreement to be dated as of the Issue Date between the Issuer, the Trustee and the Escrow Agent relating to the Escrow Accounts into which the gross proceeds from the Offering of the Fixed Rate Notes and the Floating Rate Notes, respectively, will be deposited pending consummation of the Acquisition.
"Escrow Charge"	The escrow account charge to be dated as of the Issue Date between the Issuer and the Trustee, pursuant to which the initial funds deposited in the segregated Escrow Accounts will be charged on a first-priority basis to secure the Notes.
"Escrow Longstop Date"	October 31, 2020.
"Escrowed Property"	Collectively, the initial funds deposited into the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (*less* any property and/or funds paid in accordance with the Escrow Agreement).
"EU" or "European Union"	The European Union.
"EURIBOR"	has the meaning given to such term under "*Description of the Notes*."
"euro," "EUR" or "€"	The lawful currency of the EU Member States participating in the European Monetary Union.
"EUROSTAT"	Statistical Office of the European Union.
"Exchange"	The Luxembourg Stock Exchange.
"Financial Statements"	has the meaning given to such term in "*Presentation of Financial and Other Information*."
"Financing"	has the meaning given to such term in "*Summary—The Transactions.*"
"Fixed Rate Notes"	The Issuer's € million % Senior Secured Fixed Rate Notes due 2026 to be issued on the Issue Date. See "*Summary—The Offering*."
"Floating Rate Notes"	The Issuer's € million Senior Secured Floating Rate Notes due 2026 to be issued on the Issue Date. See "*Summary—The Offering*."
"Funding Loan"	The intercompany loan made by the Issuer to the Target with a portion of the proceeds of the Notes on the Acquisition Closing Date. See "*Use of Proceeds*" and "*Description of Certain Financing Arrangements—Funding Loan*."
"Gartner"	Gartner, Inc.
"Gartner Report"	The reports by Gartner from which Gartner data and information in this Offering Memorandum is taken.
"Group," "we," "us," and "our"	Prior to the Acquisition Closing Date, collectively, the Target and its subsidiaries, following the Acquisition Closing Date but prior to the Merger Date, the Issuer and its subsidiaries and following the completion of the Post-Completion Merger on the Merger Date, MergerCo and its subsidiaries.
"Guarantee"	Only in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, and subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, the guarantee of the Notes to be issued by the Target (if any). The term "Guarantee" or "Guarantors" shall also be deemed to refer to any future additional guarantee or guarantees that may be granted from time to time in accordance with the Indenture.

"Guarantors"	Solely in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, and subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, the Target as well as any other restricted subsidiary of the Issuer or MergerCo, as applicable, that may be required to guarantee the Notes from time to time in accordance with the Indenture. For the avoidance of doubt, no existing or future Italian subsidiary of the Target will guarantee the Notes unless such subsidiary receives proceeds from this Offering. As of the date of this Offering Memorandum, we do not expect to fund any proceeds from this Offering to the subsidiaries of the Target. See also "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"IFRS 9"	has the meaning given to such term in "*Presentation of Financial and Other Information—Changes in Accounting Standards and Accounting Policies*."
"IFRS 15"	has the meaning given to such term in "*Presentation of Financial and Other Information—Changes in Accounting Standards and Accounting Policies*."
"IFRS 16"	has the meaning given to such term in "*Presentation of Financial and Other Information—Changes in Accounting Standards and Accounting Policies*."
"Indenture"	The indenture that will govern the Notes, dated as of the Issue Date, by and among, *inter alios*, TopCo, the Issuer and the Trustee.
"Initial Purchasers"	Collectively, BNP Paribas, Credit Suisse Securities (Europe) Limited, Banca IMI S.p.A., Banca Akros S.p.A.—Gruppo Banco BPM, Deutsche Bank AG, London Branch, Nomura International plc, Unione di Banche Italiane S.p.A. and UniCredit Bank AG.
"Intercreditor Agreement"	The intercreditor agreement to be entered into on or prior to the Issue Date by and between, among others, the Issuer, the Trustee, BNP Paribas, Italian Branch, as the facility agent with respect to the Revolving Credit Facility, certain creditors thereunder and the Security Agent, as amended, supplemented and restated from time to time.
"Issue Date"	On or about , 2020, the date on which the Notes will be delivered in book-entry form through a common depository for Euroclear and Clearstream.
"Issuer"	Centurion Bidco S.p.A., established as a *società per azioni* under the laws of Italy.
"ISTAT"	Italian National Institute of Statistics.
"Italian Civil Code"	The Italian civil code (*codice civile*) approved by the Royal Decree No. 262 of March 16, 1942, as subsequently amended and restated.
"Italian Usury Law"	Italian Law No. 108 of March 7, 1996 and the relevant implementing regulations, as subsequently amended, implemented and supplemented from time to time.
"Member State"	Each member state of the European Union.

"MergerCo"	The surviving entity of the Post-Completion Merger.
"Merger Date"	The date on which the Post-Completion Merger becomes effective.
"Neuberger Berman"	Neuberger Berman AIFM S.à r.l., a limited liability company formed under the laws of the Grand Duchy of Luxembourg (*société à responsibilité limitée*) and regulated by the Commission de Surveillance du Secteur Financier du Luxembourg, to act as the alternative investment fund manager (*gestionnaire de fonds d'investissement alternatifs—AIFM*) of NB Renaissance Partners S.à r.l. SICAV-RAIF—NBRP Fund III Compartment and other Neuberger Berman alternative investment funds.
"Notes"	Collectively, the Fixed Rate Notes and the Floating Rate Notes. See "*Summary—The Offering*."
"Offering"	This offering of the Notes pursuant to this Offering Memorandum.
"Offering Memorandum"	This offering memorandum in relation to the Notes.
"Paying Agent"	Elavon Financial Services DAC, in its capacity as paying agent.
"PIK Notes"	The senior secured PIK pay-if-you-want notes due 2027 to be issued in a private placement by TopCo on or about the Acquisition Closing Date, as described more fully under "*Description of Certain Financing Arrangements—PIK Notes*."
"Post-Completion Collateral"	The collateral securing the Notes no later than ten Business Days from the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, consisting of a pledge over (i) the entire issued share capital of the Target held by the Issuer and (ii) the structural intercompany receivables owed to the Issuer by the Target, including under the Funding Loan, each as further described under "*Description of the Notes—Security*."
"Post-Completion Merger"	has the meaning given to such term in "*Summary—The Transactions*."
"Post-Merger Collateral"	The collateral securing the Notes no later than ten Business Days from the Merger Date, subject to the Agreed Security Principles and certain perfection requirements, consisting of a pledge (granted or reconfirmed) over (i) all of the shares of MergerCo held by each applicable holding company, (ii) the structural intercompany receivables owed to each applicable holding company by MergerCo (if any), (iii) the shares in certain direct wholly owned material subsidiaries of MergerCo's; (iv) the structural intercompany receivables owed to MergerCo by certain direct wholly owned material subsidiaries of MergerCo (if any); and (v) MergerCo's material bank accounts held in Italy (without control over use) (if any) which have been previously pledged in favor of the Secured Parties, each as further described under "*Description of the Notes—Security.*"
"Prospectus Regulation"	Regulation (EU) 2017/1129.
"Qualified Investor"	A qualified investor as defined in Article 2(e) of the Prospectus Regulation.
"Refinanced Target Indebtedness"	The portion of the existing and outstanding indebtedness of the Target which is expected to be repaid in full and cancelled in connection with the Transactions. For a summary of the Refinanced Target Indebtedness to be repaid in full in connection with the Transactions, see "*Summary—The Transactions—The Refinancing*."
"Refinancing"	has the meaning given to such term under "*Summary—The Transactions—The Financing.*"

"Registrar"	Elavon Financial Services DAC, in its capacity as registrar.
"Revolving Credit Facility"	The €160.0 million revolving credit facility established under the Revolving Credit Facility Agreement, which is described in more detail in "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."
"Revolving Credit Facility Agreement"	The super senior revolving credit facility agreement in respect of the Revolving Credit Facility to be entered into on or prior to the Issue Date by and between, among others, the Issuer, BNP Paribas, Italian Branch, as agent, the Security Agent and the Original Lenders (as defined therein), as amended, supplemented and restated from time to time, which is described in more detail in "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."
"Rolled Target Indebtedness"	The Indebtedness of the Target Group which we intend to retain following the Acquisition Closing Date. See "*Description of Certain Financing Arrangements—Rolled Target Indebtedness.*"
"Securities Act"	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"Security Agent"	U.S. Bank Trustees Limited, in its capacity as security agent for the secured creditors under the Indenture, the Intercreditor Agreement and the Revolving Credit Facility Agreement and as representative (*rappresentante*) of the holders of the 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 given to such term under "*Description of the Notes—Certain Definitions*."
"Sellers"	MIC Topco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, and Messrs. Michele Cinaglia, Paolo Pandozy and Armando Iorio.
"Shareholder Agreement"	Shareholder Agreement has the meaning given to such term in "*Principal Shareholders—Our Principal Shareholders—Bain Capital and Neuberger Berman—Shareholder Agreement*."
"Shareholder Funding"	Shareholder Funding has the meaning given to such term in "*Summary—The Transactions—The Financing*."
"SISEV"	Sicilia e-Servizi Venture S.c.a.r.l. *in liquidazione*.
"Sponsors"	Collectively, Bain Capital and Neuberger Berman.
"Target"	Engineering Ingegneria Informatica S.p.A., established as a *società per azioni* under the laws of Italy.
"Target Collateral"	The additional Collateral securing the Notes in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, to be put in place within 20 Business Days following the issuance by the Target of its Guarantee, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, consisting of (i) pledges over the structural intercompany receivables owed to the Target by certain direct wholly owned material subsidiaries of the Target (if any); and (ii) pledges over the shares in certain direct wholly owned material subsidiaries of the Target, each as further described under "*Description of the Notes—Security*." See also "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."
"Target Group"	The Target and its subsidiaries.
"TopCo"	Centurion Newco S.p.A., established as a *società per azioni* under the laws of Italy, which is the direct parent of the Issuer and the issuer of the PIK Notes.
"Transactions"	has the meaning given to such term in "*Summary—The Transactions*."
"Transfer Agent"	Elavon Financial Services DAC, in its capacity as transfer agent.
"Trustee"	U.S. Bank Trustees Limited, in its capacity as trustee under the Indenture.
"U.S. dollars," "dollars," "US$" or "$"	The lawful currency of the United States.
"U.S. GAAP"	Generally accepted accounting principles in the United States.
"United States" or "U.S."	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
"Whitewash Procedure"	The "whitewash procedure" under Article 2358 of the Italian Civil Code. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See also "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests—Italy—Limitations on Validity and Enforceability of Guarantee and Security Interests under Italian Law—Whitewash Procedure*" and "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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*."

GLOSSARY OF SELECTED TERMS

In this Offering Memorandum we use certain industry-specific terms and abbreviations when discussing our business, the meanings of which are indicated below:

"advanced analytics"	A part of data science that uses high-level methods and tools to focus on projecting future trends, events, and behaviors.
"AI"	Artificial intelligence.
"Application Implementation"	The implementation of applications developed in-house or by third-parties into our customers' systems, which we provide through our activities related to Application Transformation.
"Application Management"	The management of applications implemented into our customers' systems, which we provide through our activities related to Application Transformation.
"AR"	Augmented reality.
"big data"	Extremely large data sets that may be analyzed computationally to reveal patterns, trends, and associations, especially relating to human behavior and interactions.
"blockchain"	A system in which a record of transactions made is maintained across several computers that are linked in a peer-to-peer network.
"cloud"	A network of servers to and from which data can be uploaded and downloaded.
"cloud-based services"	Services that are operated from the cloud.
"core process specialists"	Specialist in our customer's business processes that are considered of core importance.
"CRM"	Customer relationship management.
"cybersecurity"	A set of technologies, skills, processes and structures required to protect data, applications and infrastructure from unauthorized access, damage or attacks.
"data visualization"	The presentation of data sets in a manner that is understandable to humans.
"digital enabling technologies"	Technologies that enable the digital transformation of companies by enhancing AI, advanced analytics, cloud, cybersecurity, IoT, robotic process automation, AR / MR / VR, digital twin and blockchain technology.
"digital platform"	Platforms for the operation of a spectrum of related digital tasks.
"digital solutions"	Digital tools for handling tasks.
"digital transformation projects"	Technology-based projects to improve and evolve the processes within an organization relying on enabling technologies.
"digital twin"	A near-real-time digital copy of a product, process, service or system.
"ERP"	Enterprise resource planning.
"ESG"	Environmental, social and governance.
"fintech"	A business that uses technology to enhance financial services and processes.
"FIWARE principles"	FIWARE principles include independence in decision making, openness, transparency and meritocracy.
"IaaS services"	An instant computing infrastructure, provisioned and managed over the internet.

"ICT"	Information Communication and Technology.
"IoT"	Internet of things.
"IT"	Information technology.
"IT transformation services"	A reassessment and overhaul of an organization's IT systems in order to improve the efficiency and delivery in a digital economy.
"legacy software"	Traditional software and/or IT systems that have been implemented in organizations and are typically maintained by in-house knowledge.
"machine learning"	An application of AI technology focused on the development of computer programs that can access data and use it to automatically learn for and improve from experience without being explicitly programmed.
"MR"	Mixed reality.
"Open Platform"	Software that is based on open, or non-proprietary, standards.
"robo-advisory services"	A digital platform that provides financial services through algorithms.
"robotic process automation"	Technologies to automate processes that are typically repetitive, manual and low value-added activities.
"SAP HANA"	A relational database management system developed by SAP.
"smart electricity meters"	Electricity meters that include functions that are not traditionally available in electricity meters, such as drive-by and other remote reading techniques and data analytics.
"software"	Set of instructions or programs instructing a system to perform a task.
"VR"	Virtual reality.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer was incorporated on March 20, 2020, in connection with the Transactions. As of the date of this Offering Memorandum, the Issuer is a holding company with no revenue-generating activities of its own, and no business operations, material assets or material liabilities other than those incurred in connection with its incorporation and the Transactions, including indebtedness incurred in connection with the Transactions. As a result, no financial information of the Issuer is included in this Offering Memorandum, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions. Prior to the Post-Completion Merger, the Issuer is currently not expected to engage in any activities other than those related to the Transactions and any other future potential transactions permitted by the Indenture.

All historical financial information presented in this Offering Memorandum is that of the Target 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 Target and its subsidiaries on a consolidated basis.

This Offering Memorandum includes English translations of:

(i) our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2020, which include unaudited comparative financial data for the three months ended March 31, 2019, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (the "Unaudited Interim Condensed Consolidated Financial Statements"); and

(ii) our audited consolidated financial statements as of and for each of the three years ended December 31, 2017, 2018 and 2019, which have been prepared in accordance with IFRS (the "Audited Financial Statements" and, together with the Unaudited Interim Condensed Consolidated Financial Statements, the "Financial Statements").

Our Audited Financial Statements have been audited by Deloitte & Touche S.p.A.

In our audited consolidated financial statements for the year ended December 31, 2018, the comparative financial information as of and for the year ended December 31, 2017 was restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Acquisitions*." Therefore, the financial information as of and for the year ended December 31, 2017 included and discussed in this Offering Memorandum is that presented as comparative information in our consolidated financial statements as of and for the year ended December 31, 2018 which was not covered by the audit report included therein.

On December 6, 2019, in order to reorganize and simplify the corporate structure of the Target Group, two parent entities of the Target, Mic Newco S.p.A. and Mic Holdco S.r.l., were combined with the Target in a reverse merger. The Target did not recognize any additional goodwill in connection with these transactions and accounted for the assets and liabilities of the two parent entities in accordance with the principle of continuity of book value. For further information, see note 1 to our audited consolidated financial statements as of and for the year ended December 31, 2019, which are included elsewhere in this Offering Memorandum.

In the future, we will report our financial results in respect of periods following the Acquisition Closing Date but prior to the Merger Date to holders of the Notes at the level of the Issuer in accordance with IFRS. Following the Post-Completion Merger, we will report our financial results in respect of periods following the Merger Date to holders of the Notes at the level of MergerCo in accordance with IFRS.

Our consolidated financial statements in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the income statements, statements of financial position or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, the Issuer (prior to the Merger Date) and MergerCo (following the Merger Date), as applicable, will account for the Acquisition using the acquisition method of accounting under IFRS and will apply purchase accounting adjustments in connection with the Acquisition to the financial statements for accounting periods subsequent to the Acquisition Closing Date. The application of purchase accounting could result in different carrying values for existing assets and liabilities and we may add additional assets to our statement of financial position, which may include intangible assets, such as goodwill, brand name, customer relationships, leasehold rights and software. We may also recognize different amortization and depreciation expenses. Due to these and other potential adjustments, our future financial statements could be materially different once the adjustments are made and may not be comparable to our consolidated financial statements included in this Offering Memorandum. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Comparability of Our Results of Operations*."

In making an investment decision, you must rely upon your own examination of the terms of this Offering and the financial information contained in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this Offering Memorandum.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the board of directors to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our Financial Statements. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Policies—Critical accounting policies*."

Impact of Acquisitions Carried Out by the Group in the Periods under Review

Our operating results and their comparability for the periods under review are impacted by the effects of certain acquisitions made by the Group. Between January 1, 2017 and March 31, 2020, we acquired majority stakes in, or the entire capital stock of, 21 companies (excluding transactions in which we only increased our stake in previously consolidated companies). In particular, we completed 11 acquisitions in 2017, 5 acquisitions in 2018 and 4 acquisitions in 2019 and one acquisition in the three months ended March 31, 2020. Due to the changes in our scope of consolidation as a consequence of each of such acquisitions, our results of operations in the periods under review may not be entirely comparable. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Acquisitions.*"

Unaudited Financial Information for the Twelve Months Ended March 31, 2020

This Offering Memorandum also presents and discusses unaudited financial information of the Group for the twelve months ended March 31, 2020. This information has been derived by adding our unaudited interim condensed consolidated financial statements data for the three months ended March 31, 2020, to our the audited consolidated financial statements data for the year ended December 31, 2019, and subtracting our unaudited interim financial information for the three months ended March 31, 2019, derived from the comparative column included in the Unaudited Interim Condensed Consolidated Financial Statements. The unaudited financial information for the twelve months ended March 31, 2020 presented herein has not been audited, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles, has been prepared for illustrative purposes only and may not necessarily be representative of our results for any future period.

Our Industry Verticals and Activities

In our audited consolidated financial statements for the year ended December 31, 2019, for the first time, we reported our results across six industry verticals in accordance with IFRS 8 (*Operating Segments*) as follows: (i) Finance, (ii) Health, (iii) Industry & Services, (iv) Telco & Media, (v) Energy & Utilities, and (vi) Public Administration. The comparative financial information for the year ended December 31, 2018 included in our audited consolidated financial statements for the year ended December 31, 2019 was also reported across these six new industry verticals. Therefore, for comparability purposes, the financial data for our results across industry verticals for the year ended December 31, 2018 included and discussed in this Offering Memorandum is that presented as comparative information in our consolidated financial statements as of and for the year ended December 31, 2019. In our Unaudited Interim Condensed Consolidated Financial Statements, and the unaudited comparative financial information for the three months ended March 31, 2019 included therein, we reported our results across the six new verticals. In addition, in order to enhance comparability of the results of our industry verticals among all the periods under review, the financial data for our results across industry verticals for the year ended December 31, 2017 included and discussed in this Offering Memorandum is also presented across these six new industry verticals. The financial data for our results across industry verticals for the years ended December 31, 2017 and 2018, and for the three months ended March 31, 2019 and 2020 included and discussed in this Offering Memorandum has not been audited.

Our Finance industry vertical comprises services to banks, insurance companies and financial institutions in Italy. Through our Health industry vertical, we serve public and private entities operating in the Italian healthcare sector. Through our Industry & Services industry vertical we serve large and medium-sized corporations in Italy operating in various industries, including the retail, fashion, manufacturing, and process agriculture industries, as well as public and private operators in the transportation sector in Italy. Our Telco & Media industry vertical comprises services to customers in the telecommunications industry as well as media services. Our Energy & Utilities industry vertical comprises services to customers in the energy industry as well as utilities. Lastly, through our Public Administration industry vertical we serve central and local public administration customers.

We believe that the organization and reporting of the results of our business along these industry verticals properly reflects the positioning of our business across our key industries and provides investors with a detailed understanding of the nature of our customers and the industries that drive our results of operations. Please refer to "*Summary—Summary Historical and Certain Other Financial Data,*" "*Business—Our Business—Industry Verticals*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for a presentation of our revenues and Adjusted EBITDA by industry vertical for each of the three month periods ended March 31, 2019 and 2020, respectively, for the twelve month period ended March 31, 2020 and for the years ended December 31, 2017, 2018 and 2019. Additionally, the period-to-period discussion of our results of operations set forth under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" includes a discussion of our revenue and Adjusted EBITDA split by industry vertical.

Commencing with the year beginning January 1, 2019, we also started reporting our results by the type of activity through which we offer our IT services, software and digital platforms to our customers: Proprietary Solutions, Application Transformations and Managed Services.

Our activities related to Proprietary Solutions cover a wide range of industry-specific, innovative vertical software and digital solutions as well as professional services directly related to such software and solutions. Typically, our Proprietary Solutions relate to software products and digital solutions for which we retain exclusive ownership and which we make available to our customers on the basis of individually negotiated licensing agreements. Our activities relating to Application Transformation include the development and customization of advanced digital enabling solutions using cybersecurity, AI, AR, big data analytics and IoT technologies, and we support, maintain and update third party applications and carry out project-based system integration activity in cooperation with our customers and software providers. Our Managed Services comprise the day-to-day management and operation of the end-to-end infrastructure of our customers. See "*Business—Our Business—Activities.*" Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Sales Mix across Activities and Industry Verticals*" for a presentation of our revenues by activity type for the year ended December 31, 2019 and the twelve months ended March 31, 2020.

The financial data presented for each of our activity types does not represent accounting segments under IFRS 8 (*Operating Segments*) and has been prepared solely for purposes of this Offering Memorandum, is for illustrative purposes only and is not necessarily indicative of our results of operations for any future period or our financial condition at any future date. Despite these limitations, we believe such information is a helpful tool to present and discuss our results of operations and strategic focus. The financial information relating to our activity types set forth in this Offering Memorandum has not been audited or reviewed by our independent auditors, is based on our management accounts and relies on management judgment.

Changes in Accounting Standards and Accounting Policies

On January 1, 2019, we adopted IFRS 16—*Leases* ("IFRS 16"). IFRS 16 was applied using the modified retrospective approach and the cumulative effect of initially applying the standard was recognized at the date of initial application, being January 1, 2019. The transition to IFRS 16 on January 1, 2019, gave rise to changes to our assets and liabilities. As of January 1, 2019, our right-of-use assets amounted to €162.0 million and lease liabilities amounted to €162.0 million. As of December 31, 2019, our right-of-use assets amounted to €173.4 million and lease liabilities amounted to €174.8 million. The depreciation of right-of-use assets for the year ended December 31, 2019, amounted to €20.0 million and the interest expense on lease liabilities amounted to €1.5 million. As of March 31, 2020, our right-of-use assets amounted to €169.1 million and our lease liabilities amounted to €171.2 million. The depreciation of right-of-use assets for the three months ended March 31, 2020, amounted to €4.9 million and the interest expense on lease liabilities amounted to €0.4 million. The positive impact of the implementation of IFRS 16 on our Adjusted EBITDA for the year ended December 31, 2019 amounted to €20.3 million. For more information, refer to our Unaudited Interim Condensed Consolidated

Financial Statements and our audited consolidated financial statements as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum. Our audited consolidated financial statements as of and for the year ended December 31, 2018 have not been restated for the application of IFRS 16. Instead, those financial statements applied IAS 17, which was the accounting standard in effect at that time. Therefore, due to the adoption of IFRS 16 and the associated accounting policies changes applied, our audited consolidated financial statements as of and for the year ended December 31, 2019 are not directly comparable with our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018.

Adjusted EBITDA for the years ended December 31, 2017 and 2018 included and discussed in this Offering Memorandum is presented without giving effect to the application of IFRS 16 (Leases) while Adjusted EBITDA for the year ended December 31, 2019, the three months ended March 31, 2019 and 2020, respectively, and the twelve months ended March 31, 2020 included in this Offering Memorandum is presented after giving effect to the application of IFRS 16 (Leases). As a result, Adjusted EBITDA for the years ended December 31, 2017 and 2018 is not directly comparable to Adjusted EBITDA for the year ended December 31, 2019, the three months ended March 31, 2019 and 2020, respectively, and the twelve months ended March 31, 2020.

In addition, on January 1, 2018, we adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments: Recognition and Measurement*). IFRS 9 and IFRS 15 were applied using the modified retrospective approach and therefore the retained earnings as of January 1, 2018 was adjusted to reflect this change for the application of IFRS 9 and IFRS 15. For more information, refer to our audited consolidated financial statements as of and for the year ended December 31, 2018 included elsewhere in this Offering Memorandum. Our audited consolidated financial statements as of and for the year ended December 31, 2017 have not been restated for the application of IFRS 15 and IFRS 9. Instead, those financial statements applied IAS 18 and IAS 39, which were the accounting standards in effect at that time. Therefore, due to the adoption of IFRS 15 and IFRS 9 and the associated accounting policies changes applied, the audited consolidated financial statements as of December 31, 2019 and 2018 are not directly comparable with the audited consolidated financial information as of December 31, 2017.

See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Comparability of Our Results of Operations—Changes to Accounting Standards—Adoption of IFRS 16 (Leases)*" and "*Risk Factors—Risks Related to Our Business and Industry—Changes to accounting standards may affect our reporting of our financial condition and results of operations.*"

As Adjusted Financial Information

We present in this Offering Memorandum certain unaudited as adjusted financial information for the Issuer, which is based on our consolidated financial information, on an as adjusted basis to reflect certain effects of the Transactions on the indebtedness, cash position and interest expense of the Group as at and for the twelve months ended March 31, 2020. See "*Summary Historical and Certain Other Financial Data—Other Financial Information and As Adjusted Data*" and "*Capitalization*." This as adjusted financial information has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had the Transactions occurred on April 1, 2019 or what our actual cash position or indebtedness would have been had the Transactions occurred on March 31, 2020, nor does it purport to project our indebtedness, cash position or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Non-IFRS Measures

In this Offering Memorandum, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles. We refer to these measures as "non-IFRS measures" as they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. In particular, we present certain financial measures of the Group and ratios related thereto in this Offering Memorandum, including: organic revenue growth, Adjusted EBITDA, Adjusted EBITDA Margin, capital expenditure, net working capital, adjusted net working capital, free operating cash flow and cash conversion and other measures and ratios that are not recognized by, or presented in accordance with, IFRS (collectively, the "Non-IFRS Measures"). We use such measures to assess the financial performance and liquidity of our business. We believe that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures of performance and liquidity and are intended to assist in the analysis of our results of operations, profitability and ability to service debt.

Non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

An explanation of the relevance of each of the non-IFRS measures, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in this Offering Memorandum. See "*Summary Historical and Certain Other Financial Data*." We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

Our primary Non-IFRS Measures are defined as follows:

- "Organic revenue growth" is defined as the percentage growth in Group revenue between two periods (the later of such periods, the "subsequent period"), excluding from the subsequent period the contribution to the Group's revenues by entities that were acquired by the Group during such period;
- "Adjusted EBITDA" is defined as net profit from continuing operations before income taxes, financial income, income from investments, financial expenses (excluding interests on lease liabilities), interests on lease liabilities (only following the implementation of IFRS 16 as of and from January 1, 2019 and not for periods prior to such date), depreciation of property, plant and equipment, depreciation of right of use assets, amortization of intangible assets, provision and impairments of assets, and further adjusted for the effects of certain events and transactions that management considers to be unrelated to our underlying trading performance, including stock option costs, retirement incentives, costs associated with the relocation of our headquarters, non-income tax assessment costs and corporate strategic assessment expenses. We present Adjusted EBITDA because it is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. Adjusted EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense), the extent to which intangible assets are identifiable (affecting relative amortization expense) and other items not considered by management to relate to the Group's underlying operations;
- "Adjusted EBITDA Margin" is defined as Adjusted EBITDA *divided by* total revenues, expressed as a percentage;
- "Capital expenditure" is defined as purchase of property, plant and equipment *plus* purchase of intangible assets. Capital expenditure excludes the consideration paid by us for the acquisition of other businesses;
- "Net Working Capital" is defined as current customer contract assets, inventories, deferred contract costs, trade receivables and other current assets *less* current trade payables, other current liabilities, current tax payables and current provisions for risks and charges;
- "Adjusted net working capital" is defined as Net working capital, as adjusted for certain extraordinary effects;
- "Free operating cash flow" is defined as Adjusted EBITDA *less* Capital expenditure *less* change in Adjusted net working capital *less* IFRS 16 impact; and
- "Cash conversion" is defined as (x) Adjusted EBITDA *less* Capital expenditure *divided by* (y) Adjusted EBITDA, expressed as a percentage.

The Non-IFRS Measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance or liquidity measures derived in accordance with IFRS or any other generally accepted accounting principles. An explanation of the relevance of each of the Non-IFRS Measures, a reconciliation of the Non-IFRS Measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in this Offering Memorandum under *"Summary Historical and Certain Other Financial Data*."

The Non-IFRS Measures are not measures of financial performance recognized under IFRS and they should not be considered as alternatives to net income (loss) as measures of operating performance, operating cash flows, the basis for dividend distribution or as measures of liquidity. Consequently, the methodology used for their calculation may not be consistent with that adopted by other companies and, therefore, the Non-IFRS Measures we present herein may not be comparable with those of others. Some of the limitations of Non-IFRS Measures are that:

- they do not reflect our cash expenditures or future requirements for capital investments 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 cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry and analysts may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, the 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 or as measures of performance in order to assist in the analysis of our operating results, profitability. You should compensate for these limitations by relying primarily on our Financial Statements and using these Non-IFRS Measures only as a supplement to evaluate our performance. Please see "*Summary Historical and Certain Other Financial Data,*" "*Selected Historical Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements (including the related notes), included elsewhere in this Offering Memorandum.

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

Rounding

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

CURRENCIES AND EXCHANGE RATES

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollar 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 rates may differ from the actual rates used in the preparation of our Financial Statements and other financial information appearing in this Offering Memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represent that the U.S. dollar or euro amounts referred to below could be or could have been converted into U.S. dollars at any particular rate indicated or any other rate.

The average rate for a year, a month or for any shorter period, means the average of the daily Bloomberg Generic Rates during that year, month or shorter period, as the case may be. On June 18, 2020, the exchange rate between the U.S. dollar and the euro was $1.1194 per €1.00.

	U.S. dollar per €1.00			
	High	**Low**	**Average**	**Period End**
Year				
2015	1.2010	1.0492	1.1096	1.0866
2016	1.1527	1.0384	1.1069	1.0547
2017	1.2026	1.0427	1.1300	1.2022
2018	1.2492	1.1245	1.1811	1.1452
2019	1.1533	1.0903	1.1195	1.1229
Monthly				
January 2020	1.1195	1.1005	1.1099	1.1083
February 2020	1.1059	1.0792	1.0905	1.1001
March 2020	1.1463	1.0667	1.1052	1.0971
April 2020	1.0965	1.0787	1.0867	1.0937
May 2020	1.1098	1.0782	1.0902	1.1098
June 2020 (through June 18, 2020)	1.1362	1.1130	1.1266	1.1194

SUMMARY

The following summary contains basic information about us and this Offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this Offering, we encourage you to read this entire Offering Memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our Financial Statements and the notes to those Financial Statements contained elsewhere in this Offering Memorandum.

We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on data available from third parties, our internal data and certain assumptions. See "Industry and Market Overview." This summary includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms.

Overview

We are the leading specialist provider of IT services, software and digital solutions in Italy, with a market share of approximately 10% in Implementation and 7% in Application Managed Services, in each case calculated in terms of U.S. dollars and revenue, in 2019, according to Gartner (Gartner, Market Share: IT Services Worldwide 2019, April 2020). We provide a holistic suite of leading software and digital solutions to more than 1,700 corporate and public administration customers and focus on supporting our customers in digital transformation projects. We couple new and advanced digital enabling capabilities, including artificial intelligence ("AI") and advanced analytics, cloud-based services, cybersecurity, IoT, robotic process automation, AR / MR / VR, blockchain and digital twin platforms, with a strong know-how of traditional technological solutions and an intimate knowledge of our broad client base's core processes. In the year ended December 31, 2019, approximately 54% of our revenue-generating projects incorporated digital enabling technologies. For the twelve months ended March 31, 2020, we generated revenues of €1,260.8 million, consolidated profit of €39.9 million, and Adjusted EBITDA of €182.4 million.

We operate in the attractive and growing Italian IT Services and Software & Solutions markets which Anitec-Assinform estimated to have grown at a CAGR of approximately 6% between 2017 and 2019, and to be worth approximately €19.9 billion in 2019. These markets benefit from strong ongoing digitalization across the Italian public and private sectors and increasing spending in transformation projects from traditional IT to new digital enabling technologies. Our leading position in the Italian IT Services and Software & Solutions markets, coupled with our deep local and regional market knowledge and long-lasting relationships with our customers and partners, uniquely positions us to capitalize on the strong growth in demand for IT transformation services in Italy, which is expected to grow at a CAGR of 6.3% between 2019 and 2021, according to Anitec-Assinform.

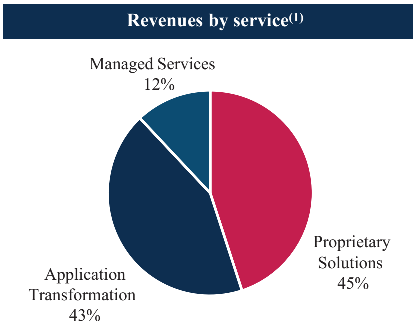
We offer our IT services, software and digital platforms and solutions to our customers by engaging in three distinct types of activities: (i) Proprietary Solutions, (ii) Application Transformation and (iii) Managed Services. In particular:

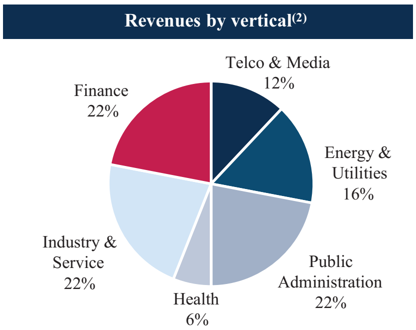
- **Proprietary Solutions:** We offer a wide range of cutting-edge software and digital solutions (including AI, cloud-based services, IoT, AR / MR / VR, digital twin and blockchain platforms) and related services primarily to customers in our Finance, Energy & Utilities, Public Administration, Telco & Media and Health verticals. Our Proprietary Solutions relate to four main software suites, and a longer tail of approximately 25 smaller products, all developed in-house and owned by us. Our Proprietary Solutions comprise end-to-end service partnerships with certain of our customers through which we provide tailored digital service packages which also include Application Transformation services and Managed Services. We estimate that, in 2019, we were one of the leading providers of governance, risk and compliance reporting software for financial institutions, field service management solutions, CRM solutions and billing platforms for utilities providers and healthcare ERP solutions for hospitals in Italy based on revenue. Excluding €59.4 million of total revenues unallocated by type of activity, we generated 45% of our revenues in the year ended December 31, 2019 from our activities related to Proprietary Solutions.
- **Application Transformation:** We develop and customize state-of-the-art IT services, software and digital solutions such as cloud migration, cybersecurity, ERP evolution, SAP HANA migrations, AI and advanced analytics. We are a leading service provider and system integrator in Italy, customizing and developing third-party digital-enabled IT solutions for providers such as SAP, Microsoft,

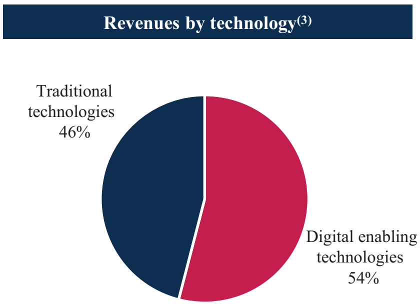
Salesforce and Oracle, and advanced digital enabling capabilities (e.g., cybersecurity, AI and AR / MR / VR) together with our partners, including Tibco, Google and AWS. We also run third-party applications (providing updates, maintenance and support) as part of our Application Transformation activities. We generated 43% of our revenues in the year ended December 31, 2019 from our activities related to Application Transformation.

- **Managed Services:** Our Managed Services comprise the day-to-day management and operation of end-to-end processes and infrastructures through innovative IT solutions, such as hybrid, multi-cloud-based services, robotic process automation, next generation service desks with chatbots and digital agents, as well as various digital workplace solutions. We generated 12% of our revenues in the year ended December 31, 2019 from our activities related to Managed Services.

We are present in all regions and most metropolitan cities in Italy (including Milan, Rome and Turin) and operate across several sectors of the economy, including public administration, financial services, utilities, telecommunications, transportation, infrastructure and healthcare. In particular, we operate each of our activity types across six industry verticals, which correspond to our reporting segments under IFRS 8 (*Operating Segments*) and represent the verticals or strategic markets in which we operate, with industry-specific knowledge supported technologies and competences. Our six industry verticals are Finance, Health, Industry & Services, Telco & Media, Energy & Utilities and Public Administration. The following charts show our revenues by type of activity, industry vertical and technology for the periods indicated.







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(1) *For the year ended December 31, 2019. Calculated on the basis of revenues excluding €59.4 million of Group revenue unallocated by activity.*

(2) *For the twelve months ended March 31, 2020.*

(3) *For the year ended December 31, 2019.*

Our customers include more than 1,700 large private and blue chip companies and public sector bodies, among which are six of the largest Italian banks (including Intesa Sanpaolo, UniCredit, Banco BPM and UBI Banca), major telecommunications companies (including Vodafone and Telecom Italia ("TIM")), utilities companies (including Enel and Eni), manufacturing companies (including Fiat Chrysler Automobiles ("FCA")), healthcare organizations (including the Veneto Healthcare System and the majority of hospitals in Italy) and transportation and infrastructure companies (including Ferrovie dello Stato Italiane). In 2019 we worked on approximately 16,600 individual IT services, software and digital solutions contracts which were distributed amongst our customers. We seek to create long-term, strategic relationships with our customers, and aim to be viewed as an integral part of their businesses. We have historically been able to achieve long-lasting, integral customer relationships by creating significantly customized and highly specialized products and services that we integrate into our end-customers' IT systems. Our average relationship tenure with customers is approximately ten years. Our business benefits from low customer concentration and significant customer diversification across all of our industry verticals, with no customer accounting for more than 8% of our revenue and no industry vertical accounting for more than 22% of our revenue in the year ended December 31, 2019. In the same period, our top ten customers generated approximately 34% of our revenue.

We believe our success and leading position in the Italian IT Services and Software & Solutions markets is largely dependent on our strong focus on R&D, and we invested approximately €27 million in R&D in the year ended December 31, 2019. Our R&D activities rely on a dedicated team of researchers and data scientists. Our R&D Lab works closely with other units of the company, which include an *Innovators Network*, *Development Labs*, internal *Competence Centers* and *Products Labs*.

We believe our business model has allowed us to quickly respond to and continue to efficiently operate our business during the COVID-19 pandemic. In particular, during the Italy-wide lockdown in March, April and May

2020, we were able to continue to ensure business continuity and service our clients while safeguarding the health and safety of our employees. We successfully transitioned substantially all of our employees to remote working over a short period of time, maintaining high levels of service and assisting our clients with their responses to the outbreak of the COVID-19 pandemic, including in connection with digital transformation projects, digital workplace solutions, cybersecurity, cloud-based solutions and business continuity solutions that have all seen increased demand as a result of the outbreak of the COVID-19 pandemic and that we expect will continue to see increased demand going forward. As of today, we have approximately 11,000 employees working remotely. See "*—Recent Developments—COVID-19 Update*," "*Industry and Market Overview—Preliminary considerations on the impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets*" and "*Risk Factors—Risks Related to our Business and Industry—Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations*."

Our Strengths

Leading player in the attractive Italian IT Services and Software & Solutions markets with strong growth driven by digital transformation secular trend

The Italian IT Services and Software & Solutions markets grew at a CAGR of approximately 6% between 2017 and 2019, significantly outperforming overall Italian GDP growth, which grew at a CAGR of 1.1% over the same period, and was estimated to be worth approximately €19.9 billion in 2019. In addition, the Italian IT Services and Software & Solutions markets are forecast to grow at a CAGR of 6.3% between 2019 and 2021 mainly driven by (i) increasing penetration of the Italian IT Services and Software & Solutions markets, (ii) digitalization across all private and public clients, and increasing spending in transformation projects from traditional IT to new digital enabling technologies and (iii) increasingly mission critical nature of IT services spending.

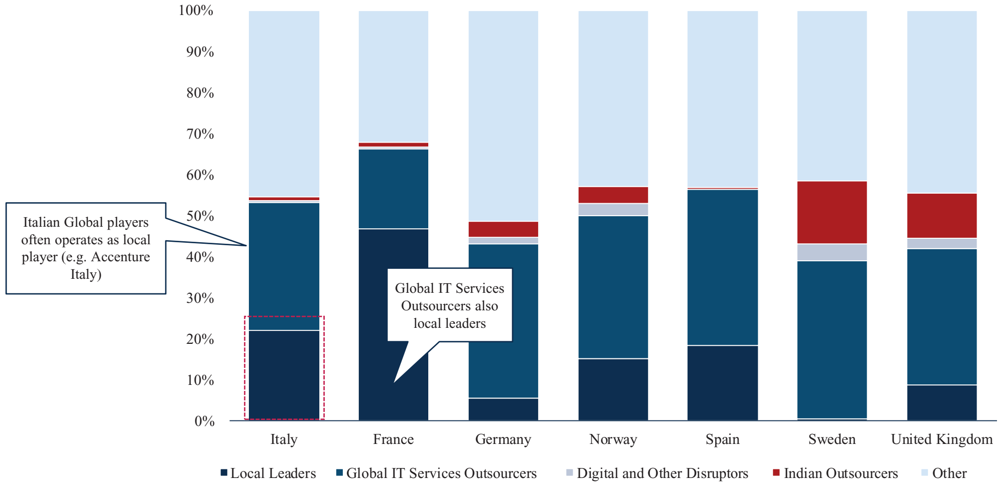
The Italian IT Services and Software & Solutions markets have historically been, and remain, underpenetrated compared to the equivalent markets in other European countries, and in the year ended December 31, 2019, IT services spend in Italy as a percentage of GDP amounted to 0.7% compared to the European average of 1.1%, according to management estimates, which we believe provides us with opportunities for significant further growth. The increasing penetration of IT services in Italy is expected to accelerate as the Italian government and regulators implement policies that favor digitalization through IT investments, such as the Industry 4.0 plan and the National Plan for Innovation 2025, and as Italian companies increase their spending on IT services to accelerate their competitive advantage and keep pace with the global trench towards digitalization.

We believe that growth in the Italian IT Services and Software & Solutions markets is mainly driven by strong ongoing digitalization across the Italian public and private sectors, with increased IT services spending on and diversified growth of new digital enabling technologies, such as (i) IoT (which is expected to grow by approximately 14% between 2019 and 2021), (ii) cloud and IaaS services (which are expected to grow by approximately 22% between 2019 and 2021), (iii) big data (which is expected to grow by approximately 14% between 2019 and 2021), (iv) cyber security (which is expected to grow by approximately 14% between 2019 and 2021) and (v) AI (which is expected to grow by approximately 43% between 2019 and 2021), according to Anitec-Assinform. See "*Industry and Market Overview*."

Additionally, growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which we expect to result in IT services spend in Italy becoming more resilient in the face of future market downturns and less correlated to macroeconomic trends. Additionally, we are seeing an increasing focus on cost efficiency and specialization of IT services, which is leading companies to rely on external providers rather than developing IT in-house. We believe that our size and expertise in complex software, solutions and IT services compared to some of our smaller competitors and competitors focusing on less complex products and services, position us well to benefit from such trends, which we expect to be confirmed in the mid- to long term and that digitalization will increase and accelerate as a result of the COVID-19 pandemic.

Italian IT Services and Software & Solutions markets have strong protected local characteristics, which advantages local players like us and creates significant barriers to entry for international players

The Italian IT Services and Software & Solutions markets are characterized by high barriers to entry, especially with respect to international competitors, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in most markets including banking, energy, and healthcare, the importance of local relationships and proximity to customers. As a result, we believe that these barriers favor local players, thus allowing us to capitalize on our leading positioning in the market for both traditional technologies and digital enabling technologies in Italy, given our deep knowledge of the domestic market and long-lasting relationships with a wide cross-section of Italian customers and partners. Italian customers have also been shown to prefer software and IT services suppliers with whom they share a common language, that have extensive operations in Italy and that have an in-depth know-how of the applicable Italian legal and regulatory framework, which we believe makes entering the Italian IT Services and Software & Solutions markets more challenging for international players. The following chart shows the market share of each type of IT Services provider in key European markets for the year ended December 31, 2019:



Source: Management analysis based on third party data.

Notes: Local Leaders include: Accenture, BAE Systems and Capita in the United Kingdom, Atea and Evry in Norway, Acando in Sweden, Ibermatica, Indra and Informatica El Corte Ingles in Spain, Alten, Atos, Capgemini, Econocom, GFI Informatique, Groupe Open, Sopra Steria, Thales, Aubay, Devoteam, Neurones in France, All for One Steeb, Fiducia& GAD IT, Datagroup and Cancom in Germany, Engineering, Reply, Almaviva and Techedge in Italy.

Leading IT services, software and digital solutions provider in Italy with strong positions across all industry verticals supported by deep technology expertise, strong business process knowledge and well-established customer relationships

We are the leading specialist provider of IT services, software and digital solutions in Italy. In 2019, we were the largest provider of Implementation services in Italy, with a market share of approximately 10% in terms of revenues compared to the market shares of approximately 10% and 7% of our two closest competitors, Accenture and Telecom Italia, respectively, according to Gartner. Additionally, in 2019, we also one of the largest providers of Application Managed Services in Italy, with a market share of approximately 7% in terms of revenue, compared to the market shares of approximately 19% and approximately 10% of Accenture and IBM, respectively, according to Gartner (see chart below). We are one of the largest local players in a fragmented market where scale increasingly matters, and we have a consistent history of market share gain. We believe that due to a trend among our customers to consolidate around key partners, large IT service providers such as ourselves are able to absorb a large portion of IT spend from returning customers.

We hold leading positions across our industry verticals, which are underpinned by our broad offering of technology solutions, local and regional regulatory knowledge, long-standing relationship with our customers and partners, reputation for reliable delivery and cost competitiveness. The following table provides an overview of our market share and position for the Implementation segment across our industry verticals for the year ended December 31, 2019, according to Gartner:

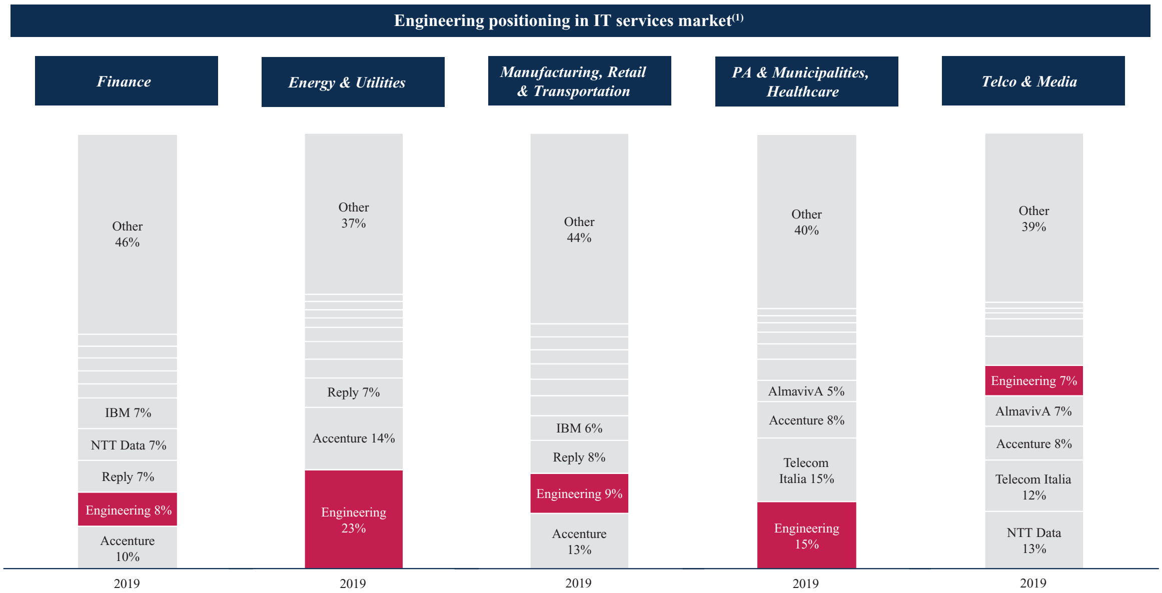


Chart created by Engineering based on Gartner research. Source: Gartner Inc. Market Share: IT Services, Worldwide 2019, April 2020.

(1) Market includes only Implementation. Selected verticals include: Finance-Banking & Securities and Insurance; Energy & Utilities — Utilities; Industry & Services — Manufacturing & Natural Resources, Retail and Transportation; PA & Municipalities, Healthcare — Education, Government and Healthcare; Telco & Media — Communications, Media & Services.

Verticalized offerings underpinned by leading niche proprietary software solutions, strong technology capabilities, and deep understanding of business core processes

In the year ended December 31, 2019, we generated approximately 45% of our revenue from our activities related to Proprietary Solutions, resulting in solid year-on-year revenue visibility as our proprietary solutions could neither be implemented nor managed by other IT providers. The vast majority of revenues generated from our activities related to Proprietary Solutions comes from the sale of software- and product-related services following the initial sale of the software license. Our Proprietary Solutions portfolio enables us to benefit from strong competitive positions in specific niches, particularly within the Finance, Energy & Utilities, Public Administration, Industry & Services and Health verticals. Our proprietary software solutions portfolio includes four software suite and 27 smaller products, including (i) *Grace*, the leading compliance and risk management software program developed for financial institutions, servicing most major banks in Italy, with a market share estimated to be double that of its closest competitor, (ii) *AREAS*, one of the largest digital platforms for the digitalization and integration of clinical and administrative healthcare processes in the hospital ERP markets and the second largest in the Italian healthcare IT market, (iii) *Geocall*, the leading field service management solution by OverIT, (OverIT has been named by Gartner as a "Visionary" in Gartner's April 2019 Magic Quadrant for Field Service Management), (iv) *Net@Suite*, the leading cloud-based platform for billing and CRM for all types of sales and distribution operators in the gas and electricity markets, and (v) *JEnte*, one of the leading software programs for the digitalization of processes of Italian municipalities. Our Proprietary Solutions portfolio targets specific niches across all of our industry verticals that are highly attractive in light of their regulated nature, the need for highly tailored solutions and the elevated costs that customers must bear for switching providers. Furthermore, we believe that the strong reputation of our Proprietary Solutions also allows us to up-sell and cross-sell our Managed Services and Application Transformation services.

We supplement our strong software offering across all of our activity types with new and advanced digital enabling capabilities, including AI and advanced analytics, cloud-based services, cybersecurity, IoT, robotic process automation, AR / MR / VR, digital twin and blockchain platforms, and in the year ended December 31, 2019 approximately 54% of our revenue-generating projects incorporated digital enabling technologies, mainly driven by digital transformation projects and advanced proprietary solutions. Our key proprietary digital solutions include (i) *Knowage*, an open source suite for modern business analytics initiatives from data visualization to deep analysis, (ii) *Digital Enabler*, a digital platform providing a single point of data knowledge used to develop new value added services as well as digitally enabling older technologies and applications and (iii) *Space 1*, a revolutionary product that allows companies to implement AR, MR and VR solutions in their processes, in a quick and flexible manner. Through our digital services offering, we have worked on projects including the rollout of Enel smart electricity meters in Italy, and the implementation of a system for the management of IoT across FCA plants globally.

Strong focus on R&D and a highly qualified, digitally-skilled workforce

Innovation has always been a key element for our competitiveness and long-term sustainability. We continuously invest in R&D and innovation to support the ongoing improvement of our organization in increasing our competitive capacity and fulfilling the needs of a fluid, rapidly changing market. Our investment in R&D to develop and maintain our research and project management activities has amounted to approximately €27 million, in the year ended December 31, 2019. Our R&D operations are led by a dedicated team of researchers and data scientists. Our R&D Lab works closely with other units of the company, which include an *Innovators Network*, comprising over 200 innovation experts, *Development Labs*, internal *Competence Centers* and *Products Labs*. We partner with more than 40 universities globally and have 22 strategic alliances with our global research partner ecosystem, which includes universities, research centers, technology companies and end-user companies.

We believe we are among the most active research companies in Europe, attracting funds from national and EU research programs, ranking first among European companies in volume of security-related research projects funded by the EC, according to Anitec-Assinform. We ranked among the top 15 European companies in terms of participation in, and amount of research funding awarded under, the European Union's Horizon 2020 Programme for Research and Innovation, according to the Publications Office of the European Union. As a result, we are widely recognized as a leader in ICT research and innovation in Europe. To date, we received over €40 million in research funding from Italian and European research programs.

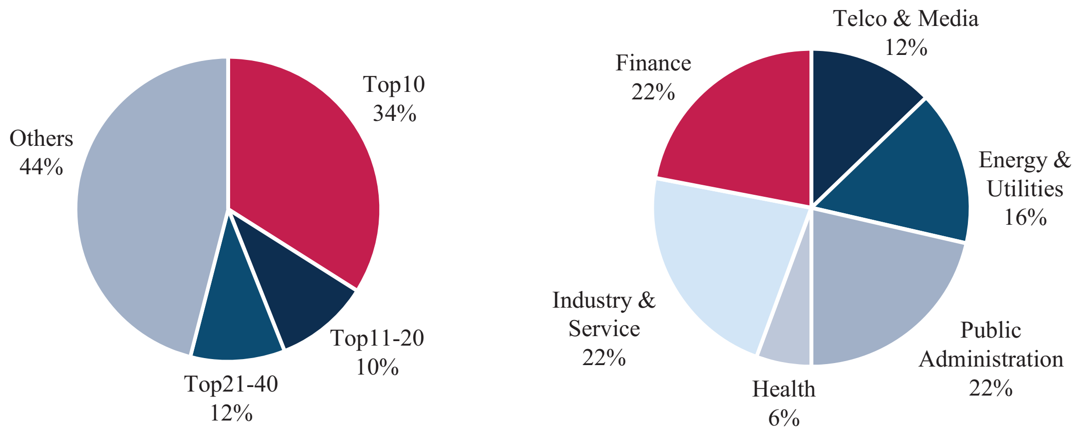
We also deploy a significant amount of resources for the training of our technology engineers, core process specialists and digital scientists who support our entire production cycle. Our internal "Enrico Della Valle" IT & Management Academy, which is considered one of the leading Italian corporate schools for IT, provides approximately 11,000 eLearning courses per year, resulting in more than 170,000 training hours in the year ended December 31, 2019. Our academy issued approximately 7,200 certifications since its establishment and trained approximately 5,400 of our employees in the year ended December 31, 2019. We believe that our strong focus on R&D as well as the resources deployed to train our technology engineers, core process specialists and digital scientists, coupled with our strategic acquisitions, will allow us to continue to attract and retain skilled employees, despite the constantly increasing talent shortage in the IT industry, which represents the key challenge in the IT sector.

In addition, in connection with the COVID-19 pandemic, we have adopted remote-working policies and infrastructures that have allowed substantially all of our employees to work remotely over the course of the COVID-19 pandemic within a short period of time.

Large and diversified customer base with highly recurring revenues and high levels of customer satisfaction

We are present in all regions and most metropolitan cities in Italy (including Milan, Rome and Turin) and operate across several sectors of the economy, including public administration, financial services, utilities, telecommunications, transportation, infrastructure and healthcare. Our customers include more than 1,700 large private and blue chip companies and public sector bodies, among which are six of the largest Italian banks (including Intesa Sanpaolo, UniCredit, Banco BPM and UBI Banca), major telecommunications companies (including Vodafone and TIM), utilities companies (including Enel and Eni), manufacturing companies (including FCA), healthcare organizations (including the Veneto Healthcare System and many other hospitals in Italy) and transportation and infrastructure companies (including Ferrovie dello Stato Italiane). We benefit from a high level of exposure to medium and large enterprise customers compared to other businesses operating within the Italian ICT sector. We estimate that approximately 90% of our total number of customers are large enterprises or public organizations and the remaining 10% are medium-sized enterprises. Our business benefits from low customer concentration and significant customer diversification across all of our industry verticals, with no customer accounting for more than 8% of our revenue and no industry vertical accounting for more than 22% of our revenue in the year ended December 31, 2019. In the year ended December 31, 2019, our top three customers generated 18% of our revenue, our top five customers generated 24% of our revenue, and our top ten customers generated 34% of our revenue. The following chart provides an overview of our customer concentration and share of revenue by industry vertical for the periods indicated:

Customer Concentration(1) and Share of Revenue by Industry Vertical(2)



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(1) For the year ended December 31, 2019.
(2) For the twelve month ended March 31, 2020.

Our customers value our reliability and excellent track record of delivery, local presence and local and regional regulatory knowledge, cost effective solutions and highly-personalized, best-in-class offering of proprietary software solutions and digital capabilities, which we believe has contributed to our consistently high customer retention rates. In particular, our top ten customers by revenue for the twelve months ended March 31, 2020, have been with us for more than ten years. We are consistently recognized as one of the best partners in terms of product personalization and contractual terms in Italy and more than 95% of our customers were "very satisfied," "satisfied," or "neutral" about our product offering and services in 2019, according to a customer satisfaction survey that we perform every year on more than 200 customers, which include our top 40 customers, across all of our industry verticals.

In addition, a large share of our revenues is highly recurring. In particular, the revenues we generate from our activities related to Proprietary Solutions, which accounted for approximately 45% of total revenues in the year ended December 31, 2019, are highly recurring and demonstrate our long-lasting relationships with our Proprietary Solutions customers primarily as a result of the local, highly specialized and customized nature of our Proprietary Solutions as well as their integration into our end-customers' IT systems, which also limits competition for our products and services in respect of those customers. In addition, the revenues we generate from our activities related to Managed Services relating to the day-to-day management and operation services of our own infrastructure and data centers and provide to customers individually and in connection with our Proprietary Solutions are secured by long-term contracts. Our Managed Services customers display high retention rates also due to the difficulty of switching to a different provider. Moreover, the revenues we generate from our activities related to Application Transformation are backed by high levels of contract renewals due to our successful track record of service delivery and our knowledge of complex IT systems.

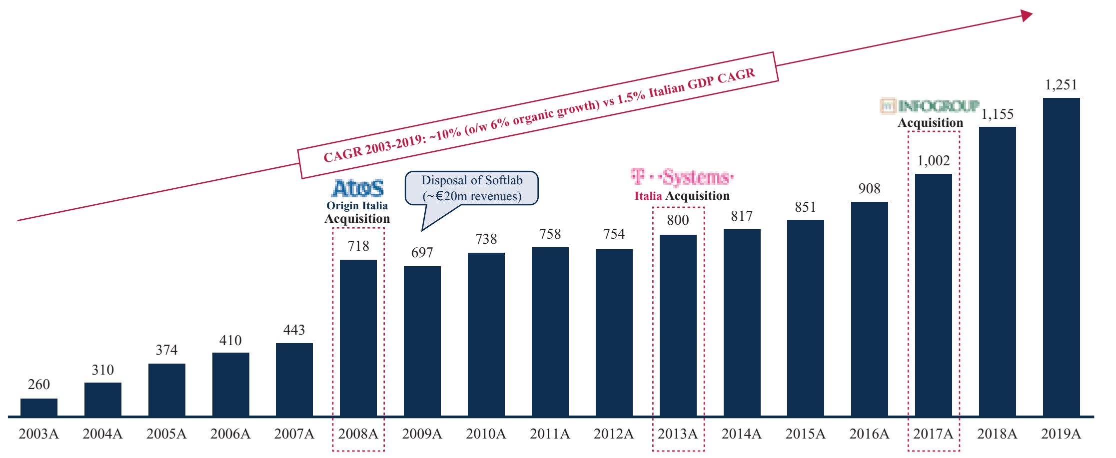
The high share of recurring contracts with our existing customers across all of our business lines has allowed us to maintain a stable revenue performance. Moreover, our ability to sell additional services to existing customers allowed us to increase spending of our existing customers over time, thus increasing our revenue generation. Between 2017 and 2019, revenues generated from our top five and top ten customers increased at CAGRs of approximately 19% and 18%, respectively.

Strong financial profile with consistent, resilient growth and cash flow generation, with further potential to improve margin performance through cost saving initiatives

Over the past 20 years, our revenue expansion has been driven by mid- to high single digit organic growth supported by continuous investments in R&D and training as well as growth from value accretive acquisitions of attractive IT services assets, including, among others, our acquisitions of Atos Origin Italia in 2008, T-Systems Italia, in 2013 and Infogroup in 2017. Additionally, our revenues have remained resilient through volatile macroeconomic cycles during the past 20 years, with our revenues' organic growth continuously outperforming Italian GDP growth on a year-over-year basis. For the twelve months ended March 31, 2020, we generated revenue of €1,260.8 million, consolidated profit of €39.9 million, and Adjusted EBITDA of €182.4 million.

The following chart provides an overview of the organic growth of our net revenues from 2003 through 2020:

Evolution of our Organic Growth and Italian GDP from 2003 to 2020



Organic growth (%)[(1)]	12.3%	16.8%	9.6%	7.3%	3.6%	2.0%	5.9%	2.7%	(0.5%)	1.7%	0.8%	3.7%	5.1%	8.0%	7.3%	5.6%	
Italian GDP growth (%)[(2)]	3.9%	3.0%	4.0%	3.9%	1.4%	(3.7%)	2.2%	2.3%	(1.5%)	(0.7%)	0.9%	1.7%	2.4%	2.4%	1.7%	0.8%[(2)]	

(1) Organic revenue growth is defined as the percentage growth in Group revenue between two periods (the later of such periods, the "subsequent period"), excluding from the subsequent period the contribution to the Group's revenue by entities that were acquired by the Group during such period.
(2) Nominal GDP.

Our business has historically benefitted from high cash conversion (defined as the ratio of Adjusted EBITDA *less* capital expenditure to Adjusted EBITDA), which averaged approximately 92% annually between 2017 and 2019, as a result of our resilient margin profile and limited capital expenditures from our asset-light model.

Historically, we have also been able to increase our margins as a result of continued operational improvements and operating leverage, and we believe there is further potential to improve our margins through operational initiatives, including by increasing the share of our employees near-shored to Serbia, which currently represents only approximately 1% of our total headcount.

Attractive consolidation platform with track record of creating value through integration of bolt-on acquisitions

We believe we are a natural consolidator in the fragmented Italian IT Services and Software & Solutions markets and have a strong track-record of successfully integrating acquired entities, allowing us to expand our product offering and geographic reach, generate significant cross-selling opportunities into our existing customer base and realize synergies. Between January 2017 and March 31, 2020, we completed 21 acquisitions.

We constantly evaluate opportunities for prudent, highly targeted and strategic bolt-on acquisitions. Past bolt-on acquisitions include (i) Infogroup in 2017, which allowed us to consolidate and expand our service offerings related to digital payment platforms, and strengthen our position in the Finance industry vertical by reinforcing our relationship with one of the leading banks in Italy, (ii) Engineering USA (previously known as Hyla Soft) in 2017, which allowed us to expand our North American presence, (iii) Cybertech Group in 2019, which allowed us to expand our cybersecurity offering and consolidate our leadership position in the rapidly expanding cybersecurity segment, (iv) Deus Technology in 2019, which allowed us to expand our finance expertise with wealth management fintech solutions and (v) Digitelematica in 2019, which allowed us to increase our e-commerce offerings to retail customers.

Through our M&A-focused team, we have developed a disciplined and clear approach to M&A activity, targeting best-in-class specialized IT services providers with a focus on increasing our higher margin Proprietary Solutions portfolio, complementing our digital capabilities by strengthening our industry-vertical specific product offerings and thus consolidating our leading positions across our industry verticals in order to strategically support our organic growth.

Experienced management team widely recognized in the industry

Our business is supported by our highly experienced management team, which is widely recognized in the IT services industry, and which has grown our business from a local Italian player to one of the leading independent Italian specialist provider of IT services, software and digital platforms. Our senior managers include Paolo Pandozy, who has been our CEO since 2009 and with the business since its formation, Armando Iorio, who has been our CFO since 2012 and with the business since 1993, as well as our industry vertical leaders and other corporate executives such as our Chief Technical Officer, Head of Strategic Marketing and Head of M&A. We recently strengthened our senior management team through the addition in 2017 of Francesco G. Schininà, our new Head of M&A. We also operate a project management office staged with 500 certified project management professionals, ensuring solid and innovative management of our customers' and our own projects, and enabling us to provide skilled project management and project management office specialists across all of the markets that we service. Our management team is supported by a well-trained and qualified workforce of approximately 11,600 full-time equivalent ("FTE") employees as at March 31, 2020.

Our Strategies

We and the Sponsors have developed the following strategies:

Continue to grow and build on our leading market position

We are the leading specialist provider of IT services, software and digital platforms and solutions in Italy, with a market share of approximately 10% in Implementation and 7% in Application Managed Services in terms of revenue in 2019, according to Gartner. For 2018 and 2019, our net revenues grew at an organic rate of 7.3% and 5.6%, respectively, and at a total rate of 15.3% and 8.3%, respectively, thereby growing our market share in Italy. We believe that we are uniquely positioned to continue to grow our market share by capturing the future growth of the Italian IT Services and Software & Solutions markets, benefitting from increasing penetration, digitalization across all private and public sectors, and increasing spending on new digital enabling technologies. We intend to continue to leverage our strong technological capabilities and broad range of digital solutions which we have successfully implemented across our types of activities, industry verticals and customers to further capture opportunities to cross-sell and up-sell our products and services. In the year ended December 31, 2019, approximately 54% of our revenue-generating projects incorporated digital enabling technologies, such as cybersecurity, IoT, cloud and Big Data, mainly driven by digital transformation projects and advanced proprietary solutions. We believe that the continuing demand for our digital enabling technologies will present us with an opportunity to further grow our market share in Italy. Additionally, we plan to continue to center our business around the needs of our loyal customer base, which we believe will allow us to maintain our track record of growing our digital offerings among our top customers.

Strengthen our strong technological platform, unrivalled digital capabilities and industry partnerships

We have a strong track record of product innovation and strive to continuously develop new and tailored digital offerings to meet our customers' latest digital needs. Our R&D Lab, which is the core driver of our products and services innovation process works closely with other units of the company, including our *Innovators Network*, consisting of approximately 200 innovation experts who analyze market trends and weaknesses and translate them into ideas for innovative solutions and products, our *Development Labs*, comprising a dedicated group of professionals who develop state-of-the art commercializable digital technologies, and our *Products Labs*, comprising a dedicated group of professionals who are devoted to designing, developing and maintaining our proprietary solutions. Leveraging our R&D capabilities, we intend to further strengthen our technological platform by continuing our investments in key areas, spanning across all our industry verticals: digital industry, smart transportation, digital and physical security, smart city, smart government, energy, waste management, 5G, digital media, cloud, big data, blockchain and AI.

In addition, we intend to further capitalize on our strong, long-standing relationships with key strategic partners, who comprise next-generation technology vendors and service providers and include worldwide leaders in public cloud and SaaS services, such as Amazon, Alibaba, Google and Microsoft, ERP and CRM solutions, such as SAP, Oracle, Salesforce and Microsoft, as well as a large pool of digital technologies providers, such as Adobe, Cisco, RedHat and VMware. We believe that our focus on strong relationships with key industry partners will continue to allow us to provide our customers with access to cutting-edge digital platforms and solutions.

Increase our offering of Proprietary Solutions

In the year ended December 31, 2019, we generated 45% of our revenue from our activities related to Proprietary Solutions. We believe that our large portfolio of leading, niche vertical proprietary solutions and services supports our strong reputation as the leading Italian specialist provider of IT services, software and digital solutions and acts as a catalyst for our broad service offerings across our industry verticals. Our portfolio of Proprietary Solutions, which primarily targets customers in our Finance, Energy & Utilities, Public Administration, Industry & Services and Health verticals, has also historically contributed to our strong margins and highly sticky, recurring revenue from long-term, strategic customer relationships. Following the Acquisition Closing Date, we intend to increase our offering of Proprietary Solutions through organic small and selected bolt-on acquisitions with the goal to generate the majority of our revenue from Proprietary Solutions.

We intend to continue leveraging our in-house R&D capabilities and developing digital enabling proprietary solutions to the activities we conduct in relation to Proprietary Solutions. Our existing portfolio includes *μSE*, a software to create solutions that comply with open platform standards, *DATÆLL*, a software program that uses a shared data model to process customers' big data (or "data lake"), distilling information from such data while also managing both traditional and AI and machine learning cognitive algorithms and *Grace*, a leading financial governance, risk, regulatory and compliance management software.

Increase profitability and cash generation

We intend to continue leveraging our diversified operating platform and realizing economies of scale to improve our margins. We intend to increase the share of proprietary software and related services, which typically generate comparably higher margins due to the significant customization of our products and services and often result in long-term customer relationships and recurring business.

Our business has historically benefitted from high cash conversion, which averaged approximately 92% annually between 2017 and 2020, as a result of our resilient margin profile from underlying operating leverage and limited capital expenditures from our asset-light model, as well as stable revenue and consistent Adjusted EBITDA growth. To increase our cash generation, we intend to continue implementing a disciplined approach to working capital management and capital expenditures, which averaged 1% of revenues annually between 2017 and 2019.

To further increase our profitability, we also plan to continue focusing on implementing cost-savings measures and improve operational efficiency across the Group. To this end, we have identified a number of potential improvement initiatives, such as increasing the share of our workforce that is currently near-shored in Serbia.

Continue to pursue targeted and opportunistic acquisitions to expand capabilities and grow the business

The Italian IT Services and Software & Solutions markets remain highly fragmented, and we intend to further strengthen our leading position and broaden our product portfolio by continuing to consolidate smaller players. We have developed a disciplined and systematic approach to M&A activity, targeting best-in-class specialized IT services providers with a focus on increasing our Proprietary Solutions portfolio, consolidating our leading positions across our industry verticals and strategically complementing our organic growth. We execute our M&A strategy through our dedicated and experienced in-house M&A team, who have completed 21 M&A deals in the last three years. We believe that this continued focus on acquiring and integrating best-in-class providers of IT services will allow us to further cross-sell acquired solutions into our existing customer base and strengthen our R&D capabilities.

In addition, we will continue to evaluate opportunities for highly targeted, strategic bolt-on acquisitions with a view to expanding our existing product offerings, strengthening our industry-vertical specific product offerings and increasing our share of revenues from IP and digital capabilities. Key recent, targeted acquisitions that have allowed us to grow our portfolio and address customers' needs include Engineering USA (previously known as Hyla Soft) in 2017, a company specializing in product lifecycle management, manufacturing operations management and sales and operations planning solutions within the IT manufacturing sector, Cybertech Group in 2019, a group of companies that provide cybersecurity services, and Digitelematica in 2019, a software company focused on e-commerce and digital distribution solutions for large supermarkets and hypermarkets. In addition, recent targeted industry-specific acquisitions, including Infogroup in 2017, a company specializing in IT services for the financial industry, and Deus Technology in 2019, a provider of wealth management fintech solutions, have helped us cement our leading positions in our six industry verticals.

The Transactions

The Acquisition

On February 5, 2020, Centurion Holdco entered into the Acquisition Agreement with the Sellers to acquire the entire issued and outstanding share capital of the Target. The Acquisition Agreement was amended by the relevant parties on May 1, 2020. In accordance with the provisions of the Acquisition Agreement, Centurion Holdco is expected to designate, prior to the Acquisition Closing Date, the Issuer as purchaser under the Acquisition Agreement, which will then complete the Acquisition.

The consummation of the Acquisition is subject to the satisfaction of certain conditions precedent, including antitrust clearances and governmental authorizations on foreign investments. As at the date of this Offering Memorandum, each of the conditions precedent has been satisfied, except for the obtainment of the authorization of the Acquisition by the presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*) under Law 56 of May 11, 2012, and the relevant implementing decrees adopted by the Italian government and the President of the Italian Republic, and under Law No. 133 of November 18, 2019, all as subsequently amended and supplemented (the "Italian Golden Power Legislation"). If this condition is not satisfied on or prior to September 30, 2020, and such long stop date is not extended by the relevant parties, the Acquisition Agreement will automatically terminate. See "*Risk Factors—Risks Related to the Transactions—The Issuer does not currently control the Target Group and will not control the Target Group until completion of the Acquisition—The Acquisition is subject to significant uncertainties and risks.*"

Consideration for the Acquisition will consist of (x) a cash purchase price of €1,336.0 million, payable on the Acquisition Closing Date, plus (y) a deferred cash consideration in the amount of €20.0 million to be paid to the Target's existing security holders on a pro rata basis no later than 30 days following the Acquisition Closing Date, which we expect to be funded by funding sources then available to the Issuer and/or the Target Group. Additionally, pursuant to the Acquisition Agreement, we have agreed to pass on to the Sellers certain amounts relating to (x) receivables from the partial of settlement of the litigation against Sicilia Digitale S.p.A. up to a maximum amount of €8.0 million as well as (y) certain additional receivables from the still-pending litigation against Sicilia Digitale S.p.A. up to a maximum amount of €5.9 million, each of which we expect to collect following the Acquisition Closing Date. See "*Business—Legal Proceedings*." As part of the Transactions and concurrently with the completion of the Acquisition, members of management of the Target are expected to exercise certain stock options pursuant to the Target's existing management stock option plan at a strike price of €33.1 million. The payment of the strike price will be funded by a capital contribution to the Target as part of the Shareholder Funding (as defined below) made by the Issuer on behalf of the Target's management on or about the Acquisition Closing Date. Following the exercise of these stock options, the Issuer will purchase the shares from management, with the consideration to be paid by the Issuer to management for the purchase of such shares to be reduced by an amount equal to the amount of the strike price funded by the Issuer on behalf of management. The net consideration for the Target's shares payable by the Issuer to management is included in the cash consideration for the Acquisition of €1,336.0 million indicated above. See "*—Sources and Uses*" and "*Use of Proceeds*."

The Acquisition Agreement contains customary warranties and indemnities given by the Sellers as to capacity, title and disclosure as well as customary covenants given by the Sellers regarding, among other things, the conduct of the business and the affairs of the Target and its subsidiaries pending closing of the Acquisition. The Sellers' liability for any breach of a warranty is subject to certain thresholds and limitations.

Although the Sellers have given certain customary representations, warranties and indemnities in the Acquisition Agreement, the Issuer may not be able to enforce claims against the Sellers relating to breaches of these representations, warranties and indemnities. See "*Risk Factors—Risks Related to the Transactions—We may not be able to enforce claims relating to a breach of the representations and warranties that the Sellers have provided to the Issuer under the Acquisition Agreement*."

As part of the Acquisition and in accordance with the provisions included in the Shareholder Agreement (as defined herein), the Sponsors expect to allocate a portion of the share capital of Centurion Midco S.à r.l., an indirect parent company of the Issuer, to certain current and future members of our senior management team through an incentive plan to be implemented as soon as practicable following completion of the Acquisition. See "*Management—The Target—Share Ownership*," "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions—Management Co-Investment Plan.*"

The Financing

The Transactions are expected to require a total of €1,705.1 million in a combination of debt and equity financing and cash available on the Target's balance sheet. The Transactions will be financed with (i) proceeds from the Offering in an aggregate principal amount of €640.0 million, (ii) €886.0 million of shareholder funding in the form of (a) an equity contribution to be provided by TopCo to the Issuer (in the amount of €676.0 million) and (b) a deeply subordinated shareholder loan by TopCo to the Issuer for an amount of €210.0 million, corresponding to the net proceeds from TopCo's private placement of the PIK Notes, collectively, the "Shareholder Funding") and (iii) €179.1 million of available cash on the Target's balance sheet. The Shareholder Funding includes the amount of a capital contribution to be made on or about the Acquisition Closing Date by the Issuer to the Target on behalf of certain members of management of the Target to pay the strike price for certain options held by such members of management in respect of the Target's existing management stock option plan. We refer to the Offering and the Shareholder Funding, together, as the "Financing."

On or prior to the Issue Date, the Issuer will enter into the Revolving Credit Facility Agreement, pursuant to which the Revolving Credit Facility will be made available for drawing in the amount of up to €160.0 million. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." We currently expect the Revolving Credit Facility to be undrawn on the Acquisition Closing Date.

The Refinancing

On the Acquisition Closing Date, the Issuer will use a portion of the proceeds from the Notes to fund the Funding Loan, a portion of which will be used by the Target to repay or otherwise refinance the Refinanced Target Indebtedness (the "Refinancing"). As of March 31, 2020, the principal amount of the Refinanced Target Indebtedness amounted to €291.5 million, excluding accrued and unpaid interest of approximately €0.5 million as of March 31, 2020 and a *de minimis* amount of prepayment penalties. The principal amount of Refinanced Target Indebtedness as well as the amount of accrued and unpaid interest outstanding and payable on the Acquisition Closing Date may vary from the amounts outstanding and due on March 31, 2020. If the amount required to repay the Refinanced Target Indebtedness on the Acquisition Closing Date exceeds the outstanding amount as of March 31, 2020, the amount of cash to be funded to the Target's balance sheet in connection with the Transactions will be reduced to fund any shortfall in order to complete the Transactions. See "*—Sources and Uses*."

We refer to the incorporation of the Issuer, the Acquisition, the Financing, the Refinancing, the entry into the Revolving Credit Facility Agreement, the Shareholder Funding and the application of proceeds as set forth under "*Use of Proceeds*," collectively, as the "Transactions." See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

Escrow Accounts

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Accounts. Each Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Fixed Rate Notes and the Floating Rate Notes, respectively. The release of the Escrowed Property is subject to the satisfaction of certain conditions, including the consummation of the Acquisition promptly following release of the funds in the Escrow Accounts. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." If these conditions are not satisfied on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to the Special Mandatory Redemption. The Special Mandatory Redemption price for the Notes will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the date of such Special Mandatory Redemption. Pursuant to a shortfall agreement between the Issuer and TopCo to be entered on or about the Issue Date, TopCo will be required to contribute to each of the Escrow Accounts an amount necessary to fund the accrued and unpaid interest on the Notes and Additional Amounts, if any, from the Issue Date to, but excluding, the date of such Special Mandatory Redemption, as well as negative interest accruing on the Escrow Accounts during such period (if any). Amounts may be released from the Escrow Accounts prior to the Acquisition Closing Date to pay negative interest charged on the Escrow Accounts and to pay interest on the Notes on any interest payment date in respect thereof occurring prior to the release of the proceeds from escrow. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions of the escrow 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. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption.*"

Sources and Uses

The estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below assuming the Acquisition Closing Date had occurred on March 31, 2020. Actual amounts will vary from the amounts shown in this table depending on several factors, including the actual Acquisition Closing Date, the outstanding amount of borrowings and accrued interest under the Refinanced Target Indebtedness on such date, the amount of cash available on the balance sheet of the Target on such date and differences from our estimates of fees and expenses associated with the Transactions.

Sources of Funds	Amount (€ million)	Uses of Funds	Amount (€ million)
Gross proceeds from the Offering	640.0	Purchase price for the Acquisition[3]	1,336.0
Shareholder Funding[1]	886.0	Repayment of the Refinanced Target Indebtedness[4]	291.5
Cash on Target's balance sheet[2]	179.1	Transaction fees and expenses[5]	28.5
		Cash funded to the Target's balance sheet[6]	49.1
Total Sources	**1,705.1**	**Total Uses**	**1,705.1**

(1) The Shareholder Funding comprises (i) an equity contribution by TopCo to the Issuer in the amount of €676.0 million (which includes the amount of a capital contribution to be made on or about the Acquisition Closing Date by the Issuer to the Target on behalf of certain members of management of the Target to pay the strike price for certain options held by such members of management in respect of the Target's existing management stock option plan) and (ii) a deeply subordinated shareholder loan by TopCo to the Issuer in the amount of €210.0 million, which represents the net proceeds from TopCo's private placement of the PIK Notes on or about the Acquisition Closing Date. See "*Description of Certain Financing Arrangements—PIK Notes*."

(2) Represents the amount of cash and cash equivalents on the Target's balance sheet as of March 31, 2020 that is expected to be used, together with a portion of the amounts made available under the Funding Loan, to repay in full and cancel the Refinanced Target Indebtedness on the Acquisition Closing Date. See also "*Capitalization.*"

(3) Represents the estimated cash purchase price payable to the Sellers for the shares of the Target to be acquired under the Acquisition Agreement on the Acquisition Closing Date. This amount excludes deferred cash consideration of €20.0 million, which will be paid to the Sellers no later than 30 days following the Acquisition Closing Date, which we expect to be funded by funding sources then available to the Issuer and/or the Target Group. The purchase price for the Acquisition shown in the table above does not include amounts relating to (x) receivables from the partial of settlement of the litigation against Sicilia Digitale S.p.A. up to a maximum amount of €8.0 million as well as (y) certain additional receivables from the still-pending litigation against Sicilia Digitale S.p.A. up to a maximum amount of €5.9 million, each of which we expect to collect following the Acquisition Closing Date and have agreed under the Acquisition Agreement to pass on to the Sellers. See also "*Business—Legal Proceedings*." The purchase price for the Acquisition shown in the table above also excludes an additional amount of €33.1 million in respect of the strike price to be paid to the Target by the Issuer by way of a capital contribution on behalf of certain option holders pursuant to the Target's existing management stock option plan for the Target shares to be issued to such stock option holders immediately before completion of the Acquisition. Such capital contribution to the Target will be funded as part of the Shareholder Funding described above, and the proceeds of €33.1 million are included in the €49.1 million of cash that will be funded to the Target's balance sheet in connection with the Transactions. The total value of the cash purchase price payable on the Acquisition Closing Date may differ due to a number of factors, including the potential occurrence of certain leakages and other purchase price adjustments, as further described under "*Summary—The Transactions*." See also "*Risk Factors—Risks Related to the Transactions*" and "*Capitalization*."

(4) Represents the aggregate principal amount of Refinanced Target Indebtedness as of March 31, 2020, which we expect to repay in full and cancel on the Acquisition Closing Date using available cash on the Target's balance sheet as well as a portion of the proceeds from the Funding Loan. The principal amount of Refinanced Target Indebtedness shown in the table above excludes accrued and unpaid interest of €0.5 million as of March 31, 2020, and a *de minimis* amount of prepayment penalties. The principal amount of Refinanced Target Indebtedness as well as the amount of accrued and unpaid interest outstanding and payable on the Acquisition Closing Date may vary from the amounts outstanding and due on March 31, 2020. If the amount required to repay the Refinanced Target Indebtedness on the Acquisition Closing Date exceeds the estimated amount set forth in the table above, we expect to use a portion of the cash to be funded to the Target's balance sheet in connection with the Transactions to fund any shortfall in order to complete the Transactions. See also "*Capitalization.*"

(5) Represents estimated fees and expenses that will be payable in connection with the Transactions, including legal and other advisor fees and transaction expenses (but excluding fees and expenses payable in connection with TopCo's private placement of the PIK Notes). The actual amount of fees and expenses payable on the Acquisition Closing Date may differ from the estimated amount shown in the table above. If the actual amount of fees and expenses payable on the Acquisition Closing Date exceeds the estimated amount set forth in the table above, the amount of cash to be funded to the Target's balance sheet will be reduced to fund any shortfall in order to complete the Transactions.

(6) Represents the estimated amount of cash that will be funded to the Target's balance sheet in connection with the Transactions, which will be used for general corporate purposes, including, among other things, funding future capital expenditures and acquisitions, the payment of interest or the repayment of debt, including the Refinanced Target Indebtedness in the event the amount required to repay such

indebtedness on the Acquisition Closing Date exceeds the estimated amount of Refinanced Target Indebtedness set forth in the table above. A portion of the cash to be funded to the Target's balance sheet will be provided to the Target by way of a capital contribution from the Issuer on behalf of certain members of management of the Target to fund the aggregate strike price amounts of €33.1 million in respect of the shares to be issued to such members of management pursuant to the Target's existing management stock option plan on the Acquisition Closing Date. See "*Capitalization*."

Post-Completion Merger

Following the Acquisition Closing Date, we intend to use commercially reasonable efforts to merge the Issuer with the Target in accordance with Articles 2501-*bis* and following of the Italian Civil Code, which will be resolved upon by (and exclusively involve) the Issuer and the Target (the "Post-Completion Merger"), as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. See "*Description of the Notes—Post-Completion Merger*." We refer to the surviving entity of the Post-Completion Merger as "MergerCo." The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.*"

Within ten Business Days from (and excluding) the Merger Date, the Notes will be secured by the Post-Merger Collateral. See also "*The Offering—Security*" and "*Description of the Notes—Security*." In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, within 20 Business Days following the issuance by Target of its Notes Guarantee, the Issuer shall (i) use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior, secured, joint and several basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date and (ii) procure that, within 20 Business Days following the issuance by Target of its Notes Guarantee, the Notes will also be secured by the Target Collateral, provided that these undertakings shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See "*Description of the Notes—Notes Guarantee,*" "*Description of the Notes—Security,*" "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Recent Developments

Recent Trading

As of the date of this Offering Memorandum, we have completed trading for the five months ended May 31, 2020. Based on preliminary results, derived from our unaudited management accounts and other information currently available, we estimate that for the five months ended May 31, 2020, we generated revenue of approximately €491.5 million, an increase of approximately 1.8% compared to revenue of approximately €482.8 million for the five months ended May 31, 2019. This increase in revenue was primarily due to strong growth in our Finance, Health and Public Administration verticals, offsetting a decline in our Industry & Services and Telco & Media verticals. Excluding revenues generated by our *Mobile VAS* platform, we estimate that for the five months ended May 31, 2020, we generated revenue of approximately €486.1 million, an increase of approximately 6.1% compared to revenue of approximately €458.1 million for the five months ended May 31, 2019.

We estimate that for the five months ended May 31, 2020, we generated revenue in our Finance industry vertical of approximately €108 million, an increase of approximately 7% compared to revenue generated in our Finance industry vertical of approximately €101 million for the five months ended May 31, 2019. This increase in revenue was primarily due to the launch of a major project with Poste Italiane, positive growth among all of our key accounts as well as the full consolidation of Deus Technology, which we acquired in late 2019 and which we estimate generated revenue of approximately €2.5 million for the five months ended May 31, 2020 (of which approximately €1.5 million were generated in the three months ended March 31, 2020).

We estimate that for the five months ended May 31, 2020, we generated revenue in our Health industry vertical of approximately €32 million, an increase of approximately 25% compared to revenue generated in our Health industry vertical of approximately €26 million for the five months ended May 31, 2019. This increase in revenue was primarily due to a strong increase in demand for our products and services following the outbreak of the COVID-19 pandemic, as healthcare businesses and public administration entities have increasingly relied on

IT infrastructures and systems as well as remote working and cloud-based solutions to respond to the COVID-19 pandemic and run their operations. We also believe the growth within our Health industry vertical during this period was due in part to the success of *Eng-DE4Bios*, our data-driven and cloud-native bio-surveillance system that we created to assist Italian healthcare authorities with containing the spread of the COVID-19 outbreak.

We estimate that for the five months ended May 31, 2020, we generated revenue in our Industry & Services industry vertical of approximately €111 million, a decrease of approximately 1% compared to revenue generated in our Industry & Services industry vertical of approximately €112 million for the five months ended May 31, 2019. This decrease in revenue was primarily due to a decrease in demand for services within the automotive, travel and leisure sub-segments as a result of an industry-wide slowdown in business activity, primarily in the cruise line business, mainly as a consequence of the COVID-19 pandemic.

We estimate that for the five months ended May 31, 2020, we generated revenue in our Telco & Media industry vertical of approximately €54 million, a decrease of approximately 21% compared to revenue generated in our Telco & Media industry vertical of approximately €68 million for the five months ended May 31, 2019. This decrease in revenue was primarily due to the significant reduction in volumes generated by our *Mobile VAS* platform, which enables mobile operators to sell value-added products and services to customers with subscriptions, resulting from restrictions imposed by the competent Italian authorities on the use of services through our *Mobile VAS* platform by such mobile operators. In particular, we estimate that revenue generated from our *Mobile VAS* platform declined by approximately €19 million in the five months ended May 31, 2020 compared to revenue generated from our *Mobile VAS* platform in the five months ended May 31, 2019.

We estimate that for the five months ended May 31, 2020, we generated revenue in our Energy & Utilities industry vertical of approximately €79 million, an increase of approximately 3% compared to revenue generated in our Energy & Utilities industry vertical of approximately €77 million for the five months ended May 31, 2019. This increase in revenue was primarily due to growth among all of our key accounts.

We estimate that for the five months ended May 31, 2020, we generated revenue in our Public Administration industry vertical of approximately €108 million, an increase of approximately 8% compared to revenue generated in our Public Administration industry vertical of approximately €100 million for the five months ended May 31, 2019. This increase in revenue was primarily due to growth in our business generated from central and local public administrations, offsetting a decline in tax collection resulting from the decision of the Italian Government to postpone certain tax payments in connection with the outbreak of the COVID-19 pandemic.

Furthermore, we estimate that we generated Adjusted EBITDA of approximately €51.3 million in the five months ended May 31, 2020, an increase of approximately 15.1% compared to Adjusted EBITDA of approximately €44.5 million for the five months ended May 31, 2019. The increase in Adjusted EBITDA was primarily due to profitable growth across all of our industry verticals as a result of increased demand for our services following the outbreak of the COVID-19 pandemic, with the exception of Public Administration, which remained impacted by the slowdown in tax collection, Telco & Media, which was impacted by the loss of volume from our *Mobile VAS* platform resulting from restrictions imposed by the Italian authorities on the use of services through our *Mobile VAS* platform by mobile operators, and Industry & Services, which was impacted by an industry-wide slowdown in business activity within the automotive and travel and leisure sub-segments, primarily in the cruise line business. In addition, we estimate that our Adjusted EBITDA for the five months ended May 31, 2020 benefitted from cost-saving initiatives we started to implement during 2019, such as an initiative to streamline and optimize our workforce by filling vacant positions with young, highly-skilled personnel and reducing the overall number of our employees, as well as cost-reduction measures that we implemented in response to the outbreak of the COVID-19 pandemic, including a reduction in travel expenses, the temporary placement of a limited number of projects and employees on temporary government subsidy programs (such as our internal travel agency), the renegotiation of services and utilities contracts relating to our facilities and offices and other cost-saving efficiencies resulting from our company-wide transition to smart working. We intend to permanently integrate several of these cost-saving measures into our business structure going forward. In addition, we estimate that Adjusted EBITDA for the five months ended May 31, 2020 in our Health and Energy & Utilities verticals was positively impacted by the capitalization of costs relating to research and development in the amount of €1.5 million, of which €1.2 million were already included in our results for the three months ended March 31, 2020. For the five months ended May 31, 2020, we estimate that we generated Adjusted EBITDA in our Finance, Health, Industry & Services, Telco & Media, Energy & Utilities and Public Administration industry verticals of approximately €19 million, €5 million, €8 million, €3 million, €8 million and €8 million, respectively.

Additionally, based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that for the two months ended May 31, 2020, we generated revenue of approximately €190 million, which we estimate was in line with the revenue that we generated for the two months ended May 31, 2019. We estimate that the key industry verticals contributing to our revenue growth during this period were Health and Public Administration. Furthermore, we estimate that we generated Adjusted EBITDA of approximately €16 million in the two months ended May 31, 2020, an increase of approximately 38% compared to Adjusted EBITDA for the two months ended May 31, 2019. The increase in Adjusted EBITDA was primarily driven by the benefits resulting from our cost optimization initiatives launched in 2019 and in response to the outbreak of the COVID-19 pandemic, as mentioned in the previous paragraph, which primarily benefitted our Health, Public Administration and Industry & Services verticals following the outbreak of the COVID-19 pandemic.

As of May 31, 2020, we estimate that we received slightly more orders in terms of value from customers compared to the same date last year. We estimate that we did not experience any slowdown in cash collection in the five months ended May 30, 2020 compared to the same period in the prior year, and that we had cash and cash equivalents of €202.7 million as of May 31, 2020 compared to €252.0 million as of March 31, 2020. We also estimate that as adjusted net debt (excluding leases and the effect of sales of receivables under our uncommitted framework factoring agreements) decreased by approximately €21 million as of May 31, 2020 compared to March 31, 2020.

This preliminary information is based on internal management accounts and has been prepared under the responsibility of our management. This preliminary information has not been audited, reviewed or verified; and no procedures have been completed by our external auditors with respect thereto. In particular, this preliminary information has not been prepared on the basis of IFRS and is not comparable with the corresponding financial information set forth elsewhere in this Offering Memorandum. It is not intended to be a comprehensive statement of our financial or operational results for the relevant periods ended May 31, 2020, and you should not place undue reliance thereon. See "Forward-Looking Statements" and "Risk Factors" elsewhere in this Offering Memorandum for a more complete discussion of certain of the factors that could affect our business, financial position and results of operation.

COVID-19 Update

In March 2020, following the outbreak of the COVID-19 pandemic, we promptly undertook a number of initiatives to safeguard our employees and reduce our operating costs while ensuring the continuity of our operations. In particular, we successfully transitioned substantially all of our approximately 11,600 employees to remote working over a short period of time while at the same time maintaining the full operation of all our data centers, which are equipped with continuity and backup systems, full-service delivery of our services and complete business continuity services. Additionally, to manage our cost structure and reduce our cash burn, in connection with the COVID-19 pandemic, we reduced our travel costs and placed a limited number of our projects as well as employees within certain specific functions (such as our internal travel agency) on temporary government subsidy programs. The COVID-19 pandemic's impact on our supply chain is limited as our suppliers and partners are able to work remotely and our reliance on physical product deliveries is limited.

Since the start of the outbreak of the pandemic we have experienced an increase in customer demand for digitalization products and services, as businesses and public administration entities have been forced to rely on IT infrastructures and systems and have turned to remote working and cloud-based solutions to run their operations. Leveraging our significant experience in digital transformation projects, our state-of-the-art software and digital solutions portfolio as well as our existing workforce and contractors, which we utilize as needed to meet our fluctuating labor requirements, we assisted new and existing clients in their responses to the COVID-19 pandemic, including in connection with digital transformation projects, digital workplace solutions, cybersecurity, cloud-based solutions and business continuity solutions. For example, we assisted one of our clients, INPS (*Istituto Nazionale della Previdenza Sociale*), in managing the transition of a large portion of its workforce to remote working over a short timeframe by providing virtual private network, remote desktop and virtual desktop infrastructure and in managing the large increase in requests for state aid and benefits following the outbreak of the COVID-19 pandemic. In addition, we played a key role in assisting healthcare authorities in the Veneto region with implementing effective measures to contain the spread of the COVID-19 pandemic by developing *Eng-DE4Bios*, our data-driven and cloud-native bio-surveillance system that collects, integrates and harmonizes data and utilizes digital enabling technologies to geo-locate infected individuals and identify population clusters that may be at risk. Furthermore, through one of our subsidiaries, Cybertech Group, we provide hospitals and other strategically important institutions with cybersecurity services to protect their IT infrastructure from cyberattacks. Given this increased demand for digitalization products and services, we expect that the COVID-19 pandemic will contribute to an acceleration in the digitalization of Italian companies and public administrations, further contributing to the long-term growth trend in the IT services market.

Lastly, during the lockdowns imposed by government authorities in response to the outbreak of the COVID-19 pandemic, we continued to train our employees through approximately 140 online classes offered by our IT & Management Academy and continued to progress more than 70 active research projects through our European and global network of partners.

See also "*Forward-Looking Statements*," "*Industry and Market Overview—Preliminary considerations on the impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets*," "*Risk Factors—Risks Related to our Business and Industry—Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

The Issuer

The Issuer is a holding company which was incorporated in connection with the Transactions. The Issuer is registered under number 11230560960 with the Companies Register of Milan (*Camera di Commercio di Milano, Monza, Brianza, Lodi*), and has its registered office in Milan, Italy at Viale Bianca Maria, no. 25, 20122. The Issuer was incorporated in Italy on March 20, 2020 as a joint stock company (*società per azioni*). The Issuer's immediate and only shareholder is TopCo, which is indirectly controlled by the Sponsors. See "*Principal Shareholders*."

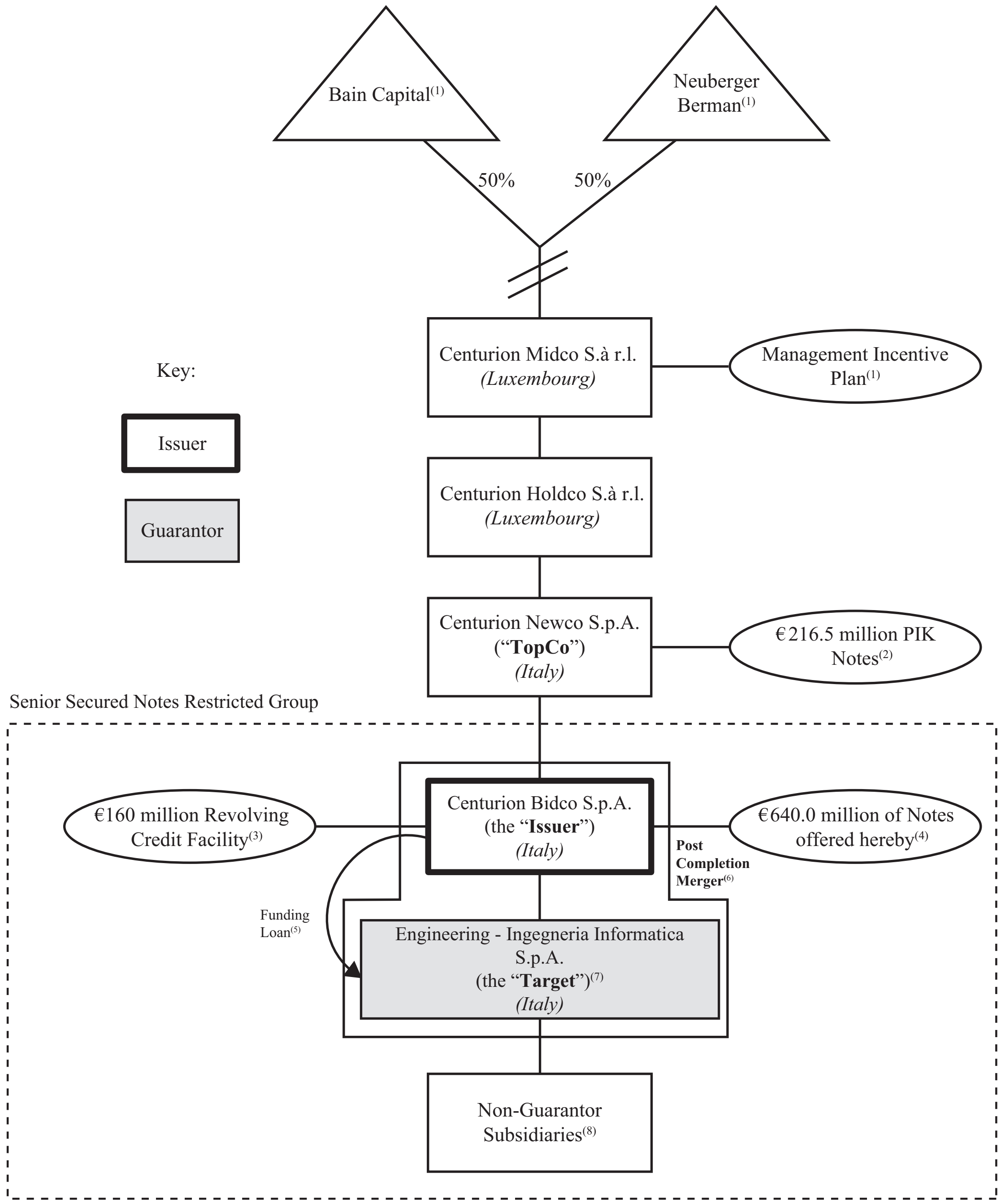
Our Principal Shareholders—Bain Capital and Neuberger Berman

Bain Capital is a leading global private investment firm that advises and manages capital across several asset classes, including private equity, public equity, fixed income and credit, venture capital and real estate investments across multiple sector industries and geographies. Since its inception in 1984, Bain Capital and its affiliates have completed over 960 primary and add-on investments in a broad range of industries, including technology, financial and business services, industrials, media and telecommunications, healthcare and consumer / retail. Bain Capital's global team of over 450 investment professionals, 50 portfolio professionals and over 1,000 employees creates value for its portfolio companies through its global platform and depth of expertise, managing approximately $105 billion in total and leveraging the firm's shared platform to capture opportunities in strategic areas of focus. The firm not only has a strong track record of investments in Technology, Media and Telecommunications companies such as Kantar, Nets, Nexi, TeamSystem, Worldpay and Zellis, but also in transformational investments in Italy, including its investments in Cerved, Fedrigoni and Italmatch Chemicals. Bain Capital has investors from across the world that include sovereign wealth funds, public pension funds, foundations, insurance companies, family offices, high-net-worth individuals and funds of funds. Headquartered in Boston, Bain Capital and its affiliates have offices in Chicago, Palo Alto, San Francisco, New York, Dublin, London, Luxembourg, Munich, Madrid, Hong Kong, Shanghai, Guangzhou, Mumbai, Sydney, Tokyo, Melbourne and Seoul.

Neuberger Berman is a private, independent and employee-owned investment manager active since 1939 with a net worth of $330 billion of which approximately $95 billion are dedicated to alternatives funds. Neuberger Berman employs approximately 2,300 employees, approximately 650 of which are investment professionals. Almost 230 of Neuberger Berman's investment professionals exclusively focus on the global private market. Neuberger Berman has a direct presence in 35 cities around the world. Neuberger Berman has a strong track record in supporting portfolio companies in their organic and M&A expansion in order to deliver strong long-term performance. In Italy, Neuberger Berman, through its private equity activity NB Renaissance Partners, has also successfully invested in market-leading companies, including Alfasigma, Biolchim, Comelz, Farnese Vini, Guala Closures, Hydro Holding, Novamont, Rina, Rino Mastrotto Group and Uteco Group. Neuberger Berman accompanies and promotes its investee companies throughout their development in cooperation with management and in partnership with other shareholders. Neuberger Berman employees have invested approximately $3 billion of their own capital as co-investors. Neuberger Berman has a strong focus on ESG criteria compliance.

SUMMARY CORPORATE AND FINANCING STRUCTURE

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. All entities shown below are 100% directly or indirectly owned unless otherwise indicated. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Description of the Notes," "Description of Certain Financing Arrangements" and "Capitalization." The holdings of the Sponsors in TopCo include minority holdings of certain co-investors. See "Principal Shareholders."



(1) Upon the consummation of the Acquisition, Bain Capital and Neuberger Berman will indirectly hold (through wholly owned or majority-owned intermediate holding companies) substantially all of the share capital of the Target (other than the indirect shareholding being acquired by management). Pursuant to the Shareholder Agreement, the Sponsors expect to allocate a portion of the share capital of Centurion Midco S.à r.l., an indirect parent company of the Issuer, for equity re-investments by certain members of Target's senior management team. On or following the Acquisition Closing Date, the Sponsors plan to implement a management participation program for certain directors, managers and officers of the Group. See "*Certain Relationships and Related Party Transactions—Management Co-Investment Plan*."

(2) In connection with the Transactions, on or about the Acquisition Closing Date, TopCo is expected to issue €216.5 million aggregate principal amount of PIK Notes in a private placement, the net proceeds of which will be on-lent by TopCo to the Issuer in the form of a deeply subordinated shareholder loan as part of the Shareholder Funding to finance a portion of the purchase price for the Acquisition. See *"Use of Proceeds*." The PIK Notes will mature in 2028. The PIK Notes will not be guaranteed by, or receive any other credit support from, the Issuer, the Target or their respective subsidiaries. Interest payable under the PIK Notes may be paid either through the issuance of additional PIK Notes or in cash, at the sole discretion of TopCo. For a description of the key terms of the PIK Notes, see "*Description of Certain Financing Arrangements—PIK Notes.*"

(3) The Revolving Credit Facility provides for aggregate borrowings of up to €160.0 million (equivalent). See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." The initial borrower under the Revolving Credit Facility will be the Issuer. Subject to certain limitations, other subsidiaries of the Issuer, including the Target, may become borrowers under the Revolving Credit Facility in the future. Under the terms of the Intercreditor Agreement and subject to applicable laws, 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 hedging obligations (if any) have been repaid in full. We currently expect that the Revolving Credit Facility will be undrawn on the Acquisition Closing Date.

(4) The Notes will be general, senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the Notes and will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Revolving Credit Facility. On the Issue Date, the Notes will be secured, subject to certain perfection requirements, by the Escrowed Property. On or about the Acquisition Closing Date, the Notes will only be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Completion Collateral. Within ten Business Days from the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Completion Collateral. Within ten Business Days from (and excluding) the Merger Date, subject the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the Post-Merger Collateral. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within 20 Business Days following the issuance by the Target of its Guarantee, the Notes will also be secured, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, by the Target Collateral. The Collateral will also secure the Revolving Credit Facility and certain hedging obligations (if any) on a *pari passu* basis. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Revolving Credit Facilities Agreement is expected to be secured by the Target Collateral within thirty Business Days from the date falling twelve months after the Acquisition Closing Date, whereas the Target Collateral will only be required to be granted in relation to the Notes within twenty Business Days following the issuance by the Target of its Guarantee. Furthermore, the Target will grant the Target Collateral for the benefit of the lenders under the Revolving Credit Facility prior to granting its Guarantee of the Notes. Under the terms of the Intercreditor Agreement, and subject to applicable laws, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) have been repaid in full. Any remaining proceeds received upon any enforcement action over any Collateral will be applied *pro rata* to the repayment of all obligations under the Indenture and any other senior secured indebtedness of the Issuer and the Guarantors (if any) permitted to be incurred and secured by such Collateral pursuant to the Indenture and the Intercreditor Agreement (if any). The security interests in the Collateral will be limited by applicable law and subject to certain defenses that may limit their validity and enforceability and may be released under certain circumstances. For further information, see "*Description of the Notes—Security*," "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*" and "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests.*" Subject to and as set forth in "*Description of the Notes—Withholding Taxes*," the Issuer will not be liable to pay any Additional Amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Decree No. 239, 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 the Notes—Withholding Taxes*."

(5) On the Acquisition Closing Date, the Issuer will make the Funding Loan in an amount expected to be approximately €128.4 million with a portion of the proceeds of the Notes to enable the Target to refinance the Refinanced Target Indebtedness and pay related fees and expenses. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—The principal amount of the Funding Loan may be less than anticipated as a result of prepayments of certain indebtedness of the Target Group prior to the Acquisition Closing Date*."

(6) The Issuer is a holding company incorporated under the laws of Italy as a joint stock company (*società per azioni*). The Issuer is currently not expected to engage in any activities other than those related to the Transactions, the management of the Target Group following the Acquisition and any other future potential transactions permitted by the Indenture. We intend to use commercially reasonable efforts to merge the Issuer with the Target, with MergerCo being the surviving entity, as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. See "*Description of the Notes—Post-Completion Merger.*" The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.*"

(7) Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any of its subsidiaries. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior secured basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See also "*Risk Factors—Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." The Target will also guarantee our obligations under the Revolving Credit Facility on or prior to the date on which the Target provides its Guarantee under the Indenture, to the extent applicable. In particular, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target is expected to provide a Guarantee in respect of its obligations under the Revolving Credit Facility Agreement within thirty Business Days from the first anniversary of the Acquisition Closing Date, whereas Target will not be required to provide its Guarantee until the date falling eighteen months following the Acquisition Closing Date. Prior to the Post-Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target). In the event that the Post-Completion Merger does not occur and after the granting of the Guarantee by Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, none of MergerCo's subsidiaries is expected to guarantee the Notes, and the Notes will therefore be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo. For the year ended December 31, 2019, the Target accounted for 72% of the revenue and 63% of the consolidated Adjusted EBITDA of the Target Group, in each case, excluding intercompany eliminations. As of December 31, 2019, the Target accounted for 91% of the total assets of the Target Group, excluding intercompany eliminations. As of March 31, 2020, adjusted to give effect to the Transactions and following the completion of the Post-Completion Merger, MergerCo would have had no third party indebtedness (other than the Notes). Italian law limits the amount of obligations that may be guaranteed, or in respect of which security interests may be provided as well as the enforceability of the Guarantee and the rights to the security securing the Notes and the Guarantee. By virtue of such limitations, the Target's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or the Guarantor may have effectively no obligation under its Guarantee. The Guarantee and the Collateral and the Escrowed Property will be subject to certain material limitations pursuant to applicable laws as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

(8) None of the subsidiaries of the Target is expected to guarantee the Notes. For the year ended December 31, 2019, the subsidiaries of the Target collectively accounted for 28% of the revenue and 37% of the consolidated Adjusted EBITDA of the Target Group, excluding intercompany eliminations. As of December 31, 2019, the subsidiaries of the Target accounted for 9% of the total assets of the Target Group, in each case, excluding intercompany eliminations. As of March 31, 2020, adjusted to give effect to the Transactions, the subsidiaries of the Target would have had €10.6 million of third-party debt outstanding, all of which would have ranked structurally senior to the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—Prior to the Merger Date and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by Target, the Notes will be structurally subordinated to the existing or future indebtedness or obligations of the Issuer's subsidiaries (including the Target). In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date and after the granting of the Guarantee by Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.*" Certain subsidiaries of the Target are not wholly owned (directly or indirectly) by the Target. In certain cases, the minority shareholders of such subsidiaries have contractual arrangements with us pursuant to which they may, following the exercise of put options under such contractual arrangements and subject to certain conditions and timing requirements, require us to purchase their minority stake. As of March 31, 2020, the aggregate amount of our liabilities in connection with such put options amounted to €37.2 million. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements*" and "*Risk Factors—Risks Related to Our Business and Industry—Certain of our subsidiaries have non-controlling shareholders whose interests may differ from ours. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn-out arrangements*."

THE OFFERING

The following summary of the Offering contains basic information about the Notes, the Guarantee, the Collateral and the Escrowed Property. 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, the Guarantee, the Collateral and the Escrowed Property including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer . . . . Centurion Bidco S.p.A., a *società per azioni* incorporated under the laws of Italy. Following the Post Completion Merger, any reference herein to the Issuer shall be deemed to be made to MergerCo.

Notes Offered . . . . €640.0 million in aggregate principal amount of Senior Secured Notes due 2026 (the "Notes") to be issued by the Issuer under the Indenture, consisting of:

€ million % Fixed Rate Notes due 2026; and

€ million Floating Rate Notes due 2026.

Issue Date . . . . , 2020 (the "Issue Date").

Issue Price . . . . **Fixed Rate Notes:** % plus accrued and unpaid interest from the Issue Date, if any.

Floating Rate Notes: % plus accrued and unpaid interest from the Issue Date, if any.

Maturity Date . . . . , 2026.

Interest Rate . . . . **Fixed Rate Notes:** % per annum.

Floating Rate Notes: Three-month EURIBOR (subject to a 0.0% floor), plus % per annum, reset quarterly.

Interest Payment Dates . . . . **Fixed Rate Notes:**

Interest on the Fixed Rate Notes will be payable semi-annually in arrears on each and of each year, commencing on , 2021.

Floating Rate Notes:

Interest on the Floating Rate Notes will be payable quarterly in arrears on each , , and of each year, commencing on , 2020.

Interest on the Notes will accrue from the Issue Date.

Form and Denomination . . . . The Issuer will issue the Notes 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 and, subsequent to the Post-Completion Merger, MergerCo;
- be secured as set forth under "—*Security*";
- rank *pari passu* in right of payment to any existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under the Revolving Credit Facility Agreement and certain hedging obligations related thereto (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;
- rank effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Collateral or the Escrowed Property to the extent of the value of the Collateral or the Escrowed Property;
- be effectively subordinated to any existing and future indebtedness or obligation of the Issuer or of subsidiaries of the Issuer that are secured by property or assets that do not secure the Notes, or that secures such other indebtedness on a super senior basis (including obligations under the Revolving Credit Facility Agreement and certain hedging obligations related thereto (if any)), to the extent of the value of the property and assets securing such other indebtedness or obligation;
- be, subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, and only to the extent the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, guaranteed on a joint and several basis by the Target as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger; and
- be structurally subordinated to any existing or future indebtedness or obligations of the existing and future subsidiaries of the Issuer (or MergerCo, as applicable) that are not Guarantors, including obligations owed to trade creditors.

Guarantee . . . . Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any of its subsidiaries. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior secured, joint and several basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See also "*Risk Factors—Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

The Target will also guarantee our obligations under the Revolving Credit Facility on or prior to the date on which the Target provides its Guarantee under the Indenture, to the extent applicable. In particular, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target is expected to provide a guarantee in respect of its obligations under the Revolving Credit Facility Agreement within thirty Business Days from the first anniversary of the Acquisition Closing Date, whereas Target will not be required to provide its Guarantee until the date falling eighteen months following the Acquisition Closing Date. Prior to the Post-Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target). In the event that the Post-Completion Merger does not occur and after the granting of the Guarantee by Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

For the year ended December 31, 2019, the Target accounted for 72% of the revenue and 63% of the consolidated Adjusted EBITDA of the Target Group, in each case, excluding intercompany eliminations. As of December 31, 2019, the Target accounted for 91% of the total assets of the Target Group excluding intercompany eliminations. As of March 31, 2020, adjusted to give effect to the Transactions and following the completion of the Post-Completion Merger, MergerCo would have had no third party indebtedness (other than the Notes).

The Guarantee will be subject to certain contractual and legal limitations, as described under "*Description of the Notes—The Notes Guarantee*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." By virtue of these limitations, the Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or the Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral and/or Escrowed Property may adversely affect the validity and Enforceability of the Guarantee and the Collateral and/or Escrowed Property,*" "*Risk Factors—Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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*," "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*," and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*"

In addition, the Guarantee may be released under certain circumstances. See "*Description of the Notes—The Notes Guarantee—Notes Guarantee Release*."

None of the subsidiaries of the Target is expected to guarantee the Notes. As of March 31, 2020, adjusted to give effect to the Transactions, the subsidiaries of the Target would have had €10.6 million of third-party debt outstanding, all of which would have ranked structurally senior to the Notes.

Ranking of the Guarantee . . . . The Guarantee will upon its issuance:

- be a senior obligation of the Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Guarantor that is not expressly subordinated in right of payment to its Guarantee, including the Guarantor's guarantee of the Revolving Credit Facility and certain hedging obligations related thereto (if any);
- rank senior in right of payment to any existing and future indebtedness of the Guarantor that is expressly subordinated to its Guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of the Guarantor that is secured by property and assets that do not secure its Guarantee, or which secures such other indebtedness on a super senior basis (including obligations under the Revolving Credit Facility Agreement and certain hedging obligations related thereto (if any)), to the extent of the value of the property and assets securing such other indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligations of subsidiaries of the Guarantor, in each case that are not Guarantors, including obligations owed to trade creditors of such subsidiary.

Security . . . . On the Issue Date, subject to certain perfection requirements, the Notes will only be secured by the Escrowed Property, on a first priority basis.

On or about the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the Completion Collateral.

Within ten Business Days from (and excluding) the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the Post-Completion Collateral.

Within ten Business Days from (and excluding) the Merger Date, subject to the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the Post-Merger Collateral.

In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within 20 Business Days following the issuance by Target of its Guarantee, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, by the Target Collateral, consisting of (i) pledges over the structural intercompany receivables owed to the Target by certain direct wholly owned material subsidiaries of the Target (if any); and (ii) pledges over the shares in certain direct wholly owned material subsidiaries of the Target (if any).

	Each of the Escrowed Property, the Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral and the Target Collateral is further described under "*Description of the Notes—Security*." The Collateral will also secure the obligations of the Issuer and the Guarantor under the Revolving Credit Facility and certain hedging obligations (if any). In the event of an enforcement in respect of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after lenders under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) have been repaid in full. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—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 on a "super senior" basis are entitled to be repaid with proceeds from the enforcement of the Collateral in priority over the Notes*," "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."
	The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. In addition, the security interests in the Collateral may be released under certain circumstances. Subject to the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. For more information on the security interests granted, see "*Description of the Notes—Security*" and for more information on potential limitations to the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*" and "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests*."
Post-Completion Merger	Following the Acquisition Closing Date, we intend to use commercially reasonable efforts to merge the Issuer with the Target in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. See "*Description of the Notes—Certain Covenants—The Post-Completion Merger.*" The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.*"
Use of Proceeds	Upon release from escrow, the gross proceeds from the Offering will be used, together with the Shareholder Funding and, as applicable, cash on the Target's balance sheet, to (i) finance the purchase price for the Acquisition, (ii) refinance the Refinanced Target Indebtedness, (iii) pay fees and expenses in connection with the Transactions and (iv) fund cash to the Target's balance sheet for general corporate purposes. See "*Summary—The Transactions*" and "*Use of Proceeds*."

Optional Redemption	Fixed Rate Notes: Prior to , 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Fixed Rate Notes 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, plus a "make whole" premium, as described under "*Description of the Notes—Optional Redemption*." Prior to , 2022, the Issuer may redeem up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including the aggregate principal amount of any additional Fixed Rate Notes issued) in each calendar year at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to but excluding, the date of redemption. In addition, prior to , 2022, the Issuer may redeem, at its option, up to 40% of the original principal amount of the Fixed Rate Notes with the net proceeds from certain equity offerings at the redemption prices set forth in "*Description of the Notes—Optional Redemption*." The Issuer may redeem all or part of the Fixed Rate Notes at any time on or after , 2022, at the relevant redemption prices described under "*Description of the Notes—Optional Redemption*." Floating Rate Notes: At any time prior to , 2021, the Issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*." The Issuer may redeem all or part of the Floating Rate Notes at any time on or after , 2021, at the relevant redemption prices described under "*Description of the Notes—Optional Redemption*."
Additional Amounts	All payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantee will be made without withholding or deduction for taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law in any Relevant Taxing Jurisdiction (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer or the relevant Guarantor will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction, subject to certain exceptions (the "Additional Amounts"). See "*Description of the Notes—Withholding Taxes*."
Tax Redemption	If certain changes in the law of any Relevant Taxing Jurisdiction become effective that would impose 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, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."
Change of Control	Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase. See "*Description of the Notes—Change of Control*."

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

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 the gross proceeds from the Offering into the Escrow Accounts. Each Escrow Account will be 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 Property from the Escrow Accounts will be subject to the satisfaction of certain conditions, including that the completion of the Acquisition on the terms set forth in the Acquisition Agreement will occur promptly after such release (and in any event within one Business Day therefrom). The completion of the Acquisition is subject to the satisfaction of certain conditions, including, among others, certain regulatory approvals and the performance of certain closing actions. If the conditions to the release of the Escrowed Property have not been satisfied on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption. The Special Mandatory Redemption price of the Notes will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the date of such Special Mandatory Redemption. Pursuant to a shortfall agreement between the Issuer and TopCo to be entered on or about the Issue Date, TopCo will be required to contribute to each of the Escrow Accounts an amount necessary to fund the accrued and unpaid interest on the Notes and Additional Amounts, if any, from the Issue Date to, but excluding, the date of such Special Mandatory Redemption, as well as negative interest accruing on the Escrow Accounts during such period (if any). See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

Certain Covenants . . . . The Indenture limits the ability of the Issuer and, in certain cases, TopCo to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities, or make certain asset sales;
- enter into certain transactions with affiliates;

- impair the security interests for the benefit of the holders of the Notes;
- carry out certain activities prior to the consummation of the Post-Completion Merger; and
- guarantee certain indebtedness.

Certain of the covenants and events of default will be suspended if and for so long as we achieve investment-grade ratings. See "*Description of the Notes—Certain Covenants—Suspension of Covenants and Release of Fixed Rate Notes Security Interests on Achievement of Investment Grade Status*."

Each of the covenants in the Indenture are subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."

Original Issue Discount .... If the stated principal amount of the relevant series of Notes exceeds their issue price by an amount greater than or equal to a statutorily defined *de minimis* amount, then such Notes will be considered to be issued with original issue discount ("OID") for U.S. federal income tax purposes. A U.S. Holder (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") generally will be required to include such OID in gross income as ordinary income as it accrues on a constant yield basis for U.S. federal income tax purposes, generally in advance of the receipt of the cash payments to which such OID is attributable and regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See *"Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations.*"

Transfer Restrictions .... Neither the Notes nor the Guarantee have been registered under the Securities Act or the securities laws of any other jurisdiction nor will they be so registered. The Notes are subject to restrictions on transferability and resale. See "*Notice to Investors*." Holders of the Notes will not have the benefit of any exchange or registration rights.

Exchange .... The Luxembourg Stock Exchange.

Listing .... There is currently no market for the Notes. Application has been made to list the Notes on the Official List of the Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the Notes will be listed on the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Governing Law .... The Notes, the Indenture and the Guarantee will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by the laws of England and Wales. Each security document will be governed by the applicable law of the jurisdiction under which the relevant security interest is granted.

Trustee .... U.S. Bank Trustees Limited.

Security Agent .... U.S. Bank Trustees Limited.

Paying Agent .... Elavon Financial Services DAC.

Registrar, Transfer Agent and Calculation Agent .... Elavon Financial Services DAC.

SUMMARY HISTORICAL AND CERTAIN OTHER FINANCIAL DATA

The following tables set forth summary our consolidated financial information and other data for the years ended and as of the dates indicated below. Our historical summary consolidated financial information set forth below as of and for the year ended (i) December 31, 2017, has been derived from the unaudited comparative column in our consolidated financial statements as of and for the year ended December 31, 2018, (ii) December 31, 2018, has been derived from our consolidated financial statements as of and for the year ended December 31, 2018 and (iii) December 31, 2019, has been derived from our consolidated financial statements as of and for the year ended December 31, 2019, which are, in each case, included elsewhere in this Offering Memorandum. The historical consolidated financial information and other data as of March 31, 2020 and for the three month periods ended March 31, 2019 and 2020 have been derived from our unaudited interim condensed consolidated financial statements as of and for the three month period ended March 31, 2020, which are included elsewhere in this Offering Memorandum, unless otherwise stated. Some of the performance indicators and ratios shown below were taken from our accounting records and are not included in the Financial Statements.

The unaudited historical financial information for the twelve months ended March 31, 2020 is calculated by adding the financial information for the year ended December 31, 2019 to the financial information for the three month period ended March 31, 2020, and subtracting the financial information for the three month period ended March 31, 2019. The results of operations for the twelve months ended March 31, 2020 have been prepared solely for the purposes of this Offering Memorandum and are for illustrative purposes only.

On January 1, 2019, we adopted IFRS 16. IFRS 16 was applied using the modified retrospective approach and the cumulative effect of initially applying the standard was recognized at the date of initial application, being January 1, 2019. The transition to IFRS 16 on January 1, 2019, gave rise to changes to our assets and liabilities. As of January 1, 2019, our right-of-use assets amounted to €162.0 million and lease liabilities amounted to €162.0 million. As of December 31, 2019, our right-of-use assets amounted to €173.4 million and lease liabilities amounted to €174.8 million. The depreciation of right-of-use assets for the year ended December 31, 2019, amounted to €20.0 million and the interest expense on lease liabilities amounted to €1.5 million. As of March 31, 2020, our right-of-use assets amounted to €169.1 million and our lease liabilities amounted to €171.2 million. The depreciation of right-of-use assets for the three months ended March 31, 2020, amounted to €4.9 million and the interest expense on lease liabilities amounted to €0.4 million. For more information, refer to our Unaudited Interim Condensed Consolidated Financial Statements and our audited consolidated financial statements as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum. On January 1, 2018, we adopted IFRS 15 and IFRS 9. IFRS 9 and IFRS 15 were applied using the modified retrospective approach and therefore the retained earnings as of January 1, 2018 was adjusted to reflect this change for application of IFRS 9 and IFRS 15. For more information, refer to our audited consolidated financial statements as of and for the year ended December 31, 2018 included elsewhere in this Offering Memorandum. The consolidated financial statements as of and for the year ended December 31, 2017 have not been restated for the application of IFRS 9, IFRS 15 and the consolidated financial statements for the year ended December 31, 2018 have not been restated for the application of IFRS 16. Instead, those financial statements applied the relevant predecessor accounting standards. Therefore, due to the adoption of the new accounting standards and the accounting policies changes applied, the consolidated financial statement as of December 31, 2019 and 2018 are not directly comparable with the consolidated financial information as of December 31, 2017.

We have also presented summary unaudited as adjusted consolidated financial and other data prepared to give effect to the Transactions as if they had occurred on April 1, 2019, in the case of summary unaudited as adjusted consolidated income statement information, and March 31, 2020, in the case of summary unaudited as adjusted consolidated balance sheet information. The summary unaudited as adjusted consolidated financial and other data is presented for informational purposes only and does not purport to represent what our actual interest expense actually would have been if the Transactions had occurred on April 1, 2019, or what our actual net debt position would have been had the Transactions occurred on March 31, 2020, or on any other date, and such data does not purport to project our financial results for any future period.

The summary consolidated financial information below includes certain non-IFRS 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 Measures."

Prospective investors should read the summary consolidated financial information and other data presented below in conjunction with "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements, included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement Data

(in € million)	Year Ended December 31, 2017*	Year Ended December 31, 2018	Year Ended December 31, 2019	Three Months Ended March 31, 2019**	Three Months Ended March 31, 2020**	Twelve Months Ended March 31, 2020**
Revenues	1,001.8	1,154.9	1,250.9	292.1	302.0	1,260.8
Other revenues	27.0	25.4	23.1	6.6	8.7	25.2
Total Revenues	**1,028.8**	**1,180.3**	**1,274.0**	**298.7**	**310.7**	**1,286.0**
Raw materials and consumables	16.3	20.1	33.7	5.6	15.1	43.2
Service costs	367.4	421.9	425.3	100.2	94.2	419.3
Personnel costs	518.9	589.0	639.9	159.6	168.4	648.7
Amortization and depreciation	34.0	43.5	60.3	13.3	14.7	61.7
Provisions	19.1	15.8	39.5	(0.1)	1.4	40.0
Other costs	12.7	12.0	14.1	2.9	2.5	13.7
Total operating expenses	**968.4**	**1,102.3**	**1,212.8**	**281.5**	**296.3**	**1,227.6**
Operating profit	**60.3**	**78.0**	**61.2**	**17.2**	**14.4**	**58.4**
Financial income	10.3	15.6	8.4	1.1	1.6	8.9
Financial expenses	15.8	12.0	10.9	2.6	5.6	13.9
Net financial income / (expenses)	**(5.5)**	**3.7**	**(2.5)**	**(1.5)**	**(4.0)**	**(5.0)**
Total income / (expenses) from investments	**(1.0)**	**(0.0)**	**3.2**	**0.0**	**0.0**	**3.2**
Profit before taxes	**53.9**	**81.7**	**61.9**	**15.7**	**10.4**	**56.6**
Income taxes	4.8	24.0	18.1	3.6	2.2	16.7
Profit from continuing operations	**49.0**	**57.7**	**43.8**	**12.1**	**8.2**	**39.9**
Consolidated profit	**49.0**	**57.7**	**43.8**	**12.1**	**8.2**	**39.9**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

Summary Consolidated Statement of Financial Position Data

(in € million)	As of December 31, 2017*	As of December 31, 2018	As of December 31, 2019	As of March 31, 2020**
Total non-current assets	706.6	679.0	875.3	869.4
Total current assets	981.0	996.7	1,057.5	1,073.4
Total assets	**1,687.6**	**1,675.7**	**1,932.7**	**1,942.8**
Total non-current liabilities	491.8	456.8	632.6	611.4
Total current liabilities	611.3	603.0	689.2	710.2
Total liabilities	**1,103.1**	**1,059.9**	**1,321.7**	**1,321.6**
Total shareholders' equity	**584.5**	**615.8**	**611.0**	**621.2**
Total liabilities and shareholders' equity	**1,687.6**	**1,675.7**	**1,932.7**	**1,942.8**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

Summary Consolidated Cash Flow Statement Data

(in € million)	Year ended December 31, 2017*	2018	2019	Three Months Ended March 31, 2019**	2020**
Total cash flow from operating activities	88.6	92.5	86.4	(21.9)	39.6
Total cash flow from investing activities	(93.3)	(25.1)	(43.8)	(9.3)	(4.8)
Total cash flow from financing activities	(100.4)	(96.9	(28.5)	8.5	25.3
Change in cash and cash equivalents	**(105.1)**	**(29.5)**	**14.1**	**(22.7)**	**60.1**
Cash and cash equivalents at beginning of the period	312.2	207.0	177.5	177.5	191.9
Cash and cash equivalents from merger	0.0	0.0	0.3	—	—
Cash and cash equivalents at end of the period	**207.1**	**177.5**	**191.9**	**154.8**	**252.0**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

Other Financial Information and As Adjusted Data

(in € million, unless otherwise stated)	As of and for the Year Ended December 31, 2017*	2018	2019	As of and for the Three Months Ended March 31, 2019**	2020**	As of and for the Twelve Months Ended March 31, 2020**
Organic revenue growth[(1)]	8.0%	7.5%	5.6%	10.5%	2.6%	—
Adjusted EBITDA***[(2)]	122.9	147.2	180.0	33.2	35.6	182.4
Adjusted EBITDA Margin***[(3)]	12.0%	12.7%	14.4%	11.4%	11.8%	14.5%
Capital expenditure[(4)]	11.1	11.1	13.1	4.2	4.7	13.6
Cash conversion[(5)]	91.0%	92.5%	92.7%	87.3%	86.8%	92.5%
Net working capital[(6)]	278.0	290.2	305.2	329.0	282.9	282.9
Adjusted net working capital[(6)]	242.7	251.5	292.1	295.5	269.6	269.6
Free operating cash flow[(7)]	110.5	127.3	106.0	(19.9)	48.5	174.4
As adjusted cash and cash equivalents[(8)]						49.1
As adjusted senior secured net debt[(9)]						590.9
As adjusted net debt (excluding leases)[(10)]						601.4
As adjusted net debt (including leases)[(11)]						772.6
As adjusted cash interest expense (including leases)[(12)]						
Ratio of as adjusted senior secured net debt[(9)] to Adjusted EBITDA***[(2)]						3.2x
Ratio of as adjusted net debt (including leases)[(11)] to Adjusted EBITDA***[(2)]						4.2x
Ratio of Adjusted EBITDA***[(2)] to as adjusted cash interest expense (including leases)[(12)]						x

* 2017 numbers were taken or derived from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

*** Our Adjusted EBITDA and Adjusted EBITDA Margin for the year ended December 31, 2019, the three month periods ended March 31, 2019 and 2020 and the twelve months ended March 31, 2020 presented in this table reflect the application of IFRS 16, whereas the comparative figures for the years ended December 31, 2017 and 2018 reflect our Adjusted EBITDA and Adjusted EBITDA Margin, respectively, prior to the implementation of IFRS 16. Accordingly, such figures are not directly comparable and investors should exercise caution when comparing our Adjusted EBITDA or our Adjusted EBITDA Margin across these periods. See "*Presentation of Financial and Other Information.*"

(1) We define organic revenue growth as the percentage growth in Group revenue between two periods (the later of such periods, the "subsequent period"), excluding from the subsequent period the contribution to the Group's revenue by entities that were acquired by the

Group during such period. Organic revenue growth is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

(2) We define Adjusted EBITDA as net profit from continuing operations before income taxes, financial income, income from investments, financial expenses (excluding interests on lease liabilities), interest on lease liabilities (only following the implementation of IFRS 16 as of and from January 1, 2019 and not for periods prior to such date), depreciation of property, plant and equipment, depreciation of right of use assets, amortization of intangible assets, provision and impairments of assets, and further adjusted for the effects of certain events and transactions that management considers to be unrelated to our underlying trading performance, including stock option costs, retirement incentives, costs associated with the relocation of our headquarters, non-income tax assessment costs and corporate strategic assessment expenses. Management believes that adjustments relating to certain expenses and income were necessary in order to ensure a better comparability of the historical data relating to the financial years in question as these include items not considered by management to be attributable to the normal operational management of our business.

We believe Adjusted EBITDA is a useful metric for investors to understand our results of operations and profitability because it permits investors to evaluate our recurring profitability from underlying operating activities. Additionally, we believe that Adjusted EBITDA provides investors with a tool to compare the historical performance of our business across different periods as our adjustments to net profit from continuing operations and the exclusion of certain costs and expenses include items not considered by management to be attributable to the day-to-day operation of our business. We also use this measure internally to establish forecasts, budgets and operational goals to manage and monitor our business, as well as evaluating our underlying historical performance.

Our presentation of Adjusted EBITDA may be different from the presentation used by other companies and therefore comparability may be limited. Adjusted EBITDA is a Non-IFRS Measure and the term Adjusted EBITDA is not defined under IFRS or any other generally accepted accounting principles. Consequently, the use of Adjusted EBITDA has certain limitations. Adjusted EBITDA is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. For a more detailed description of the limitations of Adjusted EBITDA as analytical tool, see "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

The following table reconciles our net profit from continuing operations, our most directly comparable measure under IFRS, to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			**Three Months Ended March 31,**		**Twelve Months Ended March 31,**
(in € million)	**2017**	**2018**	**2019**	**2019**	**2020**	**2020**
Net profit from continuing operations	**49.0**	**57.7**	**43.8**	**12.1**	**8.2**	**39.9**
Income taxes	4.8	24.0	18.1	3.7	2.2	16.6
Income from investments	1.0	—	(3.2)	—	—	(3.2)
Financial income	(10.3)	(15.6)	(8.4)	(1.1)	(1.6)	(8.9)
Financial expenses (excl. interests on lease liabilities)	15.8	11.9	9.4	2.3	5.2	12.3
Interests on lease liabilities[(a)]	—	—	1.5	0.3	0.4	1.6
Depreciation of property, plant and equipment	7.0	8.0	8.0	1.9	2.0	8.1
Depreciation of right of use assets[(a)]	—	—	20.0	4.9	4.9	20.0
Amortization of intangible assets	27.0	35.5	32.0	6.4	7.7	33.3
Provisions[(b)]	19.2	15.8	40.0	(0.1)	1.4	41.5
Stock option costs[(c)]	9.4	9.9	10.0	2.5	5.0	12.5
Retirement incentives[(d)]	—	—	3.2	—	—	3.2
Costs associated with the relocation of headquarters[(e)]	—	—	1.6	—	—	1.6
Corporate strategic assessment expenses[(f)]	—	—	1.2	0.4	—	0.8
Tax assessment costs[(g)]	—	—	2.9	—	—	2.9
Adjusted EBITDA[(h)]	**122.9**	**147.2**	**180.0**	**33.2**	**35.6**	**182.4**

(a) From January 1, 2019, as a consequence of the application of IFRS 16, we recognize for each lease contract, except for short-term leases and leases of low value assets, a right-of-use asset at the commencement date of the lease which corresponds to the date the underlying asset becomes available for use. Right-of-use assets are measured at cost, minus any accumulated depreciation and impairment losses, and adjusted for any re-measurement of the lease liabilities. The cost of rights-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date and restoration costs. Lease liability is recognized at the commencement date and is measured at the present value of lease payments to be made over the lease term, discounted using incremental borrowing rates, if the specific interest rate implicit in the lease agreement is not readily determinable. After the commencement date, the amount of lease liabilities increases to reflect the accretion of interest and decreases for the lease payments made. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. IFRS 16 requires lessees to recognize assets and liabilities under an on-balance sheet model that is similar to finance lease accounting under IAS 17. We adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to the Group's opening equity balance on January 1, 2019, which was nil. The periods prior to January 1, 2019 have not been restated and continue to be reported under the accounting standards in effect prior to that date.

(b) The increase in provisions in the year ended December 31, 2019 primarily relates to a provision for doubtful receivables by, and a write-down of receivables due from, the Group's wholly owned subsidiary SISEV in the amount of €26.8 million. See also "*Business—Legal Proceedings.*"

(c) Stock option costs represent costs of our share incentive plan apportioned over the vesting period and are determined with reference to the grant date fair value of the right assigned to our employees. Stock option costs are recognized as personnel costs in our income statement. The Group excludes stock option costs from Adjusted EBITDA in order to (i) enhance comparability with similar businesses, as the amount of share-based compensation awarded differs from company to company, and (ii) enhance comparability of the trading performance of our businesses year-on-year.

(d) Retirement incentives include one-off costs related to the early termination of employment relationships as a result of redundancy incentives, including solidarity plans and agreed plans, incurred in connection with the right-sizing of our workforce during the year ended December 31, 2019.

(e) Represents expenses incurred in connection with the relocation of our headquarters that took place during the year ended December 31, 2019. The Group excludes these expenses from Adjusted EBITDA as they relate to specific actions taken by management to improve the future profitability of the Group and are not expected to recur in the following financial years.

(f) Represents one-off charges for the strategic assessment of the Group as well as due diligence activities carried out by external professional service providers in connection with the Acquisition during the year ended December 31, 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year Ended December 31, 2018 compared with Year Ended December 31, 2019—Service costs.*"

(g) Represents non-income tax charges for the year ended December 31, 2019 as a result of fines incurred in connection with a reassessment of past income taxes (€2.7 million) as well as unrecoverable withholding taxes paid in certain countries of operation outside of Italy (€0.2 million).

(h) Adjusted EBITDA for the years ended December 31, 2017 and 2018 is presented without giving effect to the application of IFRS 16 while Adjusted EBITDA for the year ended December 31, 2019, the three months ended March 31, 2019 and 2020, respectively, and the twelve months ended March 31, 2020 is presented after giving effect to the application of IFRS 16. As a result, Adjusted EBITDA for the years ended December 31, 2017 and 2018 is not directly comparable to Adjusted EBITDA for the year ended December 31, 2019, the three months ended March 31, 2019 and 2020, respectively, and the twelve months ended March 31, 2020. See "*Presentation of Financial and Other Information—Changes in Accounting Standards and Accounting Policies.*" Prior to giving effect to the application of IFRS 16, Adjusted EBITDA for the year ended December 31, 2019 would have been €159.7 million, Adjusted EBITDA for the three months ended March 31, 2019 and 2020, respectively, would have been €28.3 million and €30.7 million and for the twelve months ended March 31, 2020 would have been €162.1 million. Adjusted EBITDA prior to the application of IFRS 16 for the year ended December 31, 2019, each of the three months ended March 31, 2019 and 2020, respectively, and the twelve months ended March 31, 2020 is presented herein for information purposes only and does not purport to present what our Adjusted EBITDA for those periods would have been had IFRS 16 not been in effect since January 1, 2019. Adjusted EBITDA is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

(3) Adjusted EBITDA Margin is defined as Adjusted EBITDA *divided by* revenues, expressed as a percentage. Adjusted EBITDA Margin for the years ended December 31, 2017 and 2018 is presented without giving effect to the application of IFRS 16 while Adjusted EBITDA Margin for the year ended December 31, 2019, the three months ended March 31, 2019 and 2020, and the twelve months ended March 31, 2020, respectively, is presented after giving effect to the application of IFRS 16. Prior to giving effect to the application of IFRS 16, Adjusted EBITDA margin would have been 12.8% for the year ended December 31, 2019, 9.7% and 10.2% for the three months ended March 31, 2019 and 2020, respectively, and 12.9% and for the twelve months ended March 31, 2020. Adjusted EBITDA margin prior to the application of IFRS 16 for the year ended December 31, 2019, each of the three months ended March 31, 2019 and 2020, and the twelve months ended March 31, 2020 is presented herein for information purposes only and does not purport to present what our Adjusted EBITDA margin for those periods would have been had IFRS 16 not been in effect since January 1, 2019.

(4) We define capital expenditure as purchase of property, plant and equipment *plus* purchase of intangible assets. Capital expenditure excludes the consideration paid by us for the acquisition of other businesses. Capital expenditure is not a measure recognized by IFRS. For further information, see "*Management's Discussion and Analysis of Financial Condition of Operations—Capital expenditures.*"

The following table sets forth a reconciliation of capital expenditure to purchase of intangible assets and purchase of property, plant and equipment our most directly comparable measures under IFRS, as at the dates indicated:

	Year Ended December 31,			Three Months Ended March 31,	
(€ million)	**2017**	**2018**	**2019**	**2019**	**2020**
Purchase of intangible assets	3.1	2.5	5.9	1.5	2.9
Purchase of property, plant and equipment	8.0	8.6	7.2	2.7	1.8
Capital expenditure	**11.1**	**11.1**	**13.1**	**4.2**	**4.7**

(5) We define cash conversion as (x) Adjusted EBITDA *less* capital expenditure *divided by* (y) Adjusted EBITDA, expressed as a percentage. Cash conversion is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

(6) We define net working capital as current customer contract assets, inventories, deferred contract costs, trade receivables and other current assets *less* current trade payables, other current liabilities, current tax payables and current provisions for risks and charges. We define adjusted net working capital as net working capital, as adjusted for certain extraordinary effects.

The following table sets forth a reconciliation of net working capital and adjusted net working capital to current assets and current liabilities, our most directly comparable measures under IFRS, as at the dates indicated:

	As of December 31,			As of March 31,	
(in € million)	**2017**	**2018**	**2019***	**2019**	**2020**
Customer contract assets	150.3	167.3	200.8	186.8	219.1
Inventories	0.2	0.1	0.1	0.2	0.1
Deferred contract costs	0.0	23.3	22.2	23.2	21.1
Trade receivables	550.8	568.1	590.5	569.6	528.1
Other current assets	72.6	60.3	52.0	62.9	53.1
Current assets	**773.9**	**819.1**	**865.6**	**842.7**	**821.4**
Trade payables	(318.1)	(337.6)	(367.5)	(335.0)	(364.1)
Other current liabilities	(153.3)	(170.1)	(172.2)	(152.2)	(154.0)
Current tax payables	(4.3)	(4.1)	(5.5)	(10.1)	(7.0)
Current provisions for risks and charges	(20.3)	(17.1)	(15.1)	(16.3)	(13.4)
Current liabilities	**(496.0)**	**(528.9)**	**(560.3)**	**(513.7)**	**(538.5**
Net Working Capital	**278.0**	**290.2**	**305.2**	**329.0**	**282.9**
Adjustments[(a)]					
Current tax payables	(4.3)	(4.1)	(5.5)	(10.1)	(7.0)
Current provisions for risks and charges	(20.3)	(17.1)	(15.1)	(16.3)	(13.4)
SISEV adjustment	59.9	59.9	33.7	59.9	33.7
Adjusted net working capital	**242.7**	**251.5**	**292.1**	**295.5**	**269.6**
Change in adjusted net working capital[(b)]	(1.3)	(8.8)	(40.6)	(44.0)	22.5

(a) The following adjustments remove the effects on our net working capital of certain non-cash and other charges, which we do not believe to be indicative of operational changes in our net working capital. In particular, we have adjusted our net working capital to remove the effects of our ongoing dispute with Sicilia Digitale and Regione Siciliana on our trade receivables and trade payables, which we deem not to be representative of the changes in our net working capital as a result of our operations. See also "*Business—Legal Proceedings*."

(b) Change in adjusted net working capital represents the difference in adjusted net working capital as of the specified date compared to adjusted net working capital as of the comparable prior date.

Net working capital and adjusted net working capital are not measures of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

(7) We define free operating cash flow as Adjusted EBITDA *less* capital expenditure *less* change in adjusted net working capital *less* IFRS 16 impact.

The following table shows a reconciliation of free operating cash flow to Adjusted EBITDA for the periods presented:

	As of and for the Year Ended December 31,			As of and for the Three Months Ended March 31,		As of and for the Twelve Months Ended March 31,
(in € million)	**2017**	**2018**	**2019**	**2019**	**2020**	**2020**
Adjusted EBITDA[(a)]	**122.9**	**147.2**	**180.0**	**33.2**	**35.6**	**182.4**
Capital expenditure	(11.1)	(11.1)	(13.1)	(4.2)	(4.7)	(13.6)
Change in adjusted net working capital	(1.3)	(8.8)	(40.6)	(44.0)	22.5	25.9
IFRS 16 impact			(20.3)	(4.9)	(4.9)	(20.3)
Free operating cash flow	**110.5**	**127.3**	**106.0**	**(19.9)**	**48.5**	**174.4**

(a) For a reconciliation of Adjusted EBITDA to net profit from continuing operations, our most directly comparable measure under IFRS, for each of the periods indicated, please see footnote (2) above.

Free operating cash flow is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

(8) As adjusted cash and cash equivalents reflects the cash and cash equivalents of the Group as of March 31, 2020 (x) adjusted to give effect to the receipt by the Issuer of the gross proceeds from the Offering (€640.0 million) and the Shareholder Funding (€886.0 million), the payment of the cash purchase price for the Acquisition (€1,336.0 million), the repayment of the Refinanced Target Indebtedness in the estimated amount of €291.5 million and the payment of estimated transaction fees and expenses (€28.5 million) in connection with the Transactions, in each case, as if they had occurred on March 31, 2020, (y) as further adjusted to (i) remove the estimated net positive impact of €59.3 million on our cash position as of March 31, 2020 from the sale of trade receivables we made prior to March 31, 2020 to reflect our estimated cash position as if we had not sold any trade receivables prior to such date and (ii) remove the amount of cash for R&D grants collected on behalf of our partners during the three months ended March 31, 2020 (€13.6 million). As adjusted cash and cash equivalents has not been adjusted for the deferred cash consideration of €20.0 million, which we will pay to the Sellers no later than 30 days following the Acquisition Closing Date. We are adjusting our cash and cash equivalents for the aforementioned sales of trade receivables in light of the fact that, although historically from time to time to support our working capital and other liquidity needs, we engaged in the sale of trade receivables from certain large customers, which is reflected in the amount of our cash and cash equivalents as of March 31, 2020 as well as in the amount of cash and cash equivalents as of prior balance sheet dates set forth in our Financial Statements, following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs. See "*Use of Proceeds*." As adjusted cash and cash equivalents as of March 31, 2020 does not include any other adjustments to our cash and cash equivalents due to working capital expansion or contraction or any other cash generation or utilization since March 31, 2020. As adjusted cash and cash equivalents has been prepared for illustrative purposes only and does not represent what our actual cash position would have been had the Transactions occurred on March 31, 2020, nor does it purport to project our cash position at any future date. As a result, our cash and cash equivalents as of the Issue Date, the Acquisition Closing Date or any future date may be higher or lower than the amount of cash and cash equivalents as shown in the table above. For further information, see "*Summary—Recent Developments—Recent Trading*" and "*Capitalization*."

(9) As adjusted senior secured net debt represents indebtedness under the Notes *less* as adjusted cash and cash equivalents, in each case, after giving effect to the Transactions and assumes that the Revolving Credit Facility will be undrawn on the Acquisition Closing Date. See "*Capitalization*."

(10) As adjusted net debt (excluding leases) represents our consolidated total indebtedness, as adjusted to give effect to the Transactions, including the application of the proceeds from the Offering *less* as adjusted cash and cash equivalents. See "*Description of Certain Financing Arrangements—Rolled Target Indebtedness*." As adjusted net debt (excluding leases) is presented excluding, in each case as of March 31, 2020, (x) certain other financial liabilities of the Target Group that do not constitute indebtedness in the amount of €33.2 million, primarily relating to payables to our partners in respect of research and development grants that we have collected on their behalf (€13.6 million) as well as earn-outs payable in connection with previous acquisitions (€18.5 million), (y) lease liabilities under IFRS 16 in the amount of €171.2 million and (z) non-current liabilities pursuant to the contractual arrangements with the non-controlling shareholders of certain of our subsidiaries, which may require us to purchase shares at predetermined prices under certain put and call options, and which amounted to €37.2 million. See also "*Capitalization*."

(11) As adjusted net debt (including leases) represents our consolidated total indebtedness, as adjusted to give effect to the Transactions, including the application of the proceeds from the Offering, *plus* €171.2 million of lease obligations recognized under IFRS 16 as of March 31, 2020 *less* as adjusted cash and cash equivalents. See "*Capitalization*."

(12) As adjusted cash interest expense (including leases) reflects the as adjusted interest expense of the Group for the twelve months ended March 31, 2020, as if the Notes had been issued on April 1, 2019 and the proceeds therefrom had been used as set forth under "*Use of Proceeds*." This estimate reflects the issuance of (i) € million Floating Rate Notes issued at % and carrying an interest rate of three-month EURIBOR plus % (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), and (ii) € million % Fixed Rate Notes issued at %. As adjusted cash interest expense for the year ended March 31, 2020 also includes interest on lease liabilities in the amount of €1.6 million as well as the estimated cash interest expense payable in respect of the Rolled Target Indebtedness that will remain outstanding following the Acquisition Closing Date. As adjusted cash interest expense for the year ended March 31, 2020 excludes interest and undrawn commitment fees payable in respect of our Revolving Credit Facility, which we expect to be undrawn on the Acquisition Closing Date. As adjusted cash interest expense is being presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any future period or our financial condition at any future date.

Certain Key Performance Measures

The following table includes a breakdown of our revenues, Adjusted EBITDA and Adjusted EBITDA margin by industry vertical for the periods indicated.

(in € million)	Year Ended December 31, 2017*	Year Ended December 31, 2018*	Year Ended December 31, 2019	Three Months Ended March 31, 2019*	Three Months Ended March 31, 2020*	Twelve Months Ended March 31, 2020*
Revenues	**1,001.8**	**1,154.9**	**1,250.9**	**292.1**	**302.0**	**1,260.8**
Finance	158.2	239.7	274.6	59.4	68.0	283.2
Health	58.4	63.9	70.4	15.3	18.8	73.9
Industry & Services	234.4	253.0	280.2	68.6	69.0	280.6
Telco & Media	155.5	181.5	160.0	43.8	34.1	150.3
Energy & Utilities	160.9	183.3	198.0	45.2	47.9	200.7
Public Administration	234.3	233.6	267.6	59.8	64.2	272.0
Adjusted EBITDA**	**122.9**	**147.2**	**180.0**	**33.2**	**35.6**	**182.4**
Finance	32.7	49.8	60.8	12.5	13.2	61.5
Health	11.0	10.8	12.6	1.8	4.0	14.8
Industry & Services	17.0	17.9	23.5	5.3	5.2	23.4
Telco & Media	18.0	16.3	19.8	3.8	2.7	18.7
Energy & Utilities	22.0	27.0	28.2	3.4	5.1	29.9
Public Administration	22.2	25.4	35.1	6.4	5.4	34.1
Adjusted EBITDA Margin**	**12.3%**	**12.7%**	**14.4%**	**11.4%**	**11.8%**	**14.5%**
Finance	21%	21%	22%	21%	19%	22%
Health	19%	17%	18%	12%	21%	20%
Industry & Services	7%	7%	8%	8%	8%	8%
Telco & Media	12%	9%	12%	9%	8%	12%
Energy & Utilities	14%	15%	14%	8%	11%	15%
Public Administration	9%	11%	13%	11%	8%	13%

* The revenues and Adjusted EBITDA figures by industry vertical for the years ended December 31, 2017 and 2018, for the three months ended March 31, 2019 and 2020, and for the twelve months ended March 31, 2020 have not been audited. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*"

** Our Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2019, the three month periods ended March 31, 2019 and 2020 and the twelve months ended March 31, 2020 presented in this table reflect the application of IFRS 16, whereas comparative figures for the years ended December 31, 2017 and 2018 reflect our Adjusted EBITDA and Adjusted EBITDA margin prior to the implementation of IFRS 16. Accordingly, such figures are not directly comparable and investors should exercise caution when comparing our Adjusted EBITDA across these periods. See "*Presentation of Financial and Other Information.*"

The following table includes a breakdown of our revenues by activity type for the year ended December 31, 2019:

(in € million)	Year Ended December 31, 2019*
Proprietary Solutions	531.2
Application Transformation	518.3
Managed Services	142.0

* Financial data regarding our activity types has not been audited or reviewed. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*" Calculated on the basis of revenues excluding €59.4 million of Group revenues unallocated by activity.

See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Industry Verticals and Activities.*"

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this Offering Memorandum before making a decision to invest in the Notes. Any of the following risks, individually or together, could adversely affect our business, financial position, results of operations and prospects, and accordingly the value of the Notes. This section describes the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones that we face. Additional risks and uncertainties, including those of which we are currently unaware or those which we deem immaterial, may also result in decreased sales, assets and cash inflows, increased expenses, liabilities or cash outflows or other events that could result in a decline in the value of the Notes, or which could have a material adverse effect on our business, financial position, results of operations and prospects. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial position, results of operations and prospects or on the trading price of the Notes.

Risks Related to Our Business and Industry

The markets in which we operate are highly competitive.

We operate in the Italian IT Services and Software & Solutions markets, which represent our core business and accounted for the vast majority of our revenue for the year ended December 31, 2019. We also provide IT services, software and digital solutions in 50 countries, including major European countries, such as Belgium and Germany, Turkey, the United States and Latin American countries, such as Brazil. The markets in which we operate are highly competitive and subject to rapid change. We believe that the principal competitive factors in these markets are service quality, technical and industry expertise, price, innovation, established relationships with key customers, often on a local level, knowledge of the regulatory framework, rapidity in providing services requested by the customers and the ability to add value to a customer's business. We compete for business with a variety of players, including large multinational firms and local players that provide consulting, technology and/or business process services, in-house captives of potential customers, software services companies that also provide business process services and accounting firms that also provide IT consulting services. In addition, the trend toward international expansion by IT services providers and continued technological changes may result in new and different competitors entering our markets. These competitors may include entrants from other industries, such as the communications, software and data networking industries or entrants from geographical locations with lower labor and production costs than in Italy. Our main competitors include Italian and European players, such as Reply, Almaviva and Capgemini and large American and global multinational companies such as IBM, Accenture and NTT Data.

Some of our competitors may benefit from greater economies of scale, have greater financial, marketing, technological or other resources, larger customer bases and better-established reputations and customer relationships in our markets than we do. As a result, some of these competitors may be able to:

- more efficiently or more rapidly develop superior services or solutions, gain greater market acceptance and expand their service offerings;
- more quickly adapt to new or emerging technologies and changes in customer requirements;
- bundle services with other services they provide at reduced prices;
- adopt more aggressive pricing policies and devote greater resources to the promotion, marketing and sales of their products or services, which could cause us to have to lower prices for certain products or services to remain competitive in the market;
- devote greater resources to the research and development of their services and solutions; and
- better withstand adverse market conditions.

Increased competition may also result in lower prices and volumes, higher costs for resources, especially personnel, and, as a result, lower profitability. As a result, we may not be able to supply customers with services that they deem superior at competitive prices and may lose market share to our competitors. Any inability to face increased competition could have a material adverse effect on our business, results of operation, financial condition and prospects.

Our business may be affected by political and economic uncertainty in Italy.

Our revenues are derived almost entirely from customers located in Italy. In the years ended December 31, 2017, 2018 and 2019 and the twelve months ended March 31, 2020, revenues generated from customers in Italy accounted for 87%, 88%, 86% and 85% of our total revenues, respectively. As a result, macroeconomic conditions, market trends and customer demand in Italy impact our results of operations. Since 2017, economic growth in Italy has been slow. Italy's GDP growth was 1.7%, 0.8% and 0.3% in the years ended December 31, 2017, 2018 and 2019, respectively, compared to GDP growth in the European Union of 2.7%, 2.1% and 1.5% in the same years, respectively, in each case excluding the United Kingdom (source: EUROSTAT). Following the outbreak of the COVID-19 pandemic, the Italian economy contracted sharply during the first quarter of 2020, recording a year-on-year contraction in GDP of 4.8%, the worst year-on-year decrease of GDP since records began in 1995 (source: ISTAT), and entered a new recession. In April 2020, Fitch Ratings downgraded Italy's sovereign credit rating to BBB- from BBB while indicating a stable outlook. In May 2020, Moody's Investors Service confirmed Italy's sovereign credit rating at Baa3 while indicating a stable outlook. In April 2020, S&P Global Ratings confirmed Italy's sovereign credit rating at BBB/A-2 while indicating a negative outlook. Continuing economic stagnation or renewed deterioration of the Italian economy, including as a result of the impact of the COVID-19 pandemic, could result in reduced capacity for investments in IT products and services, reducing in turn demand for our products and services. In addition, in a strong recessionary environment our access to financing could deteriorate and we might be unable to obtain additional financing on favorable terms or at all. Any of the foregoing, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations, cash flows and prospects as well as our ability to perform our obligations under the Notes.

In addition, business confidence in Italy may be negatively affected by continued political uncertainty. In September 2019, a coalition government composed of the center-left Democratic Party and the anti-establishment Five Star Movement was sworn in. Such coalition government was formed on the back of the 2018 general election, in which no party won an outright majority, resulting in a hung parliament and leading to protracted negotiations to form a new government. These negotiations were concluded with the formation of a coalition government, composed of the anti-establishment League and Five Star Movement parties, which then collapsed in August 2019. It is unclear how long the current government will remain in office and whether it will be able to adequately address impediments to the country's growth, including as a result of the COVID-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 government may take positions that further exacerbate economic uncertainty in Italy which, in turn, may give rise to a decrease in prices and profitability levels and have other material impacts on the IT Services and Software & Solutions markets. In addition, should the Italian government decide to discontinue any programs aimed at encouraging IT spend, including the "Impresa 4.0" digitalization plan, any such decision could reduce our customers' IT spend, which in turn may give rise to a decrease in prices for our products and, as a result, reduce our profitability. Any of these events, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to anticipate and develop new services and products, enhance existing services and products and keep pace with rapid changes in the technology services and products industries, our business could be materially and adversely affected.

The IT Services and Software & Solutions markets are characterized by rapid technological changes, evolving industry standards, increasing regulatory impact, changing customer preferences and the constant development and introduction of new products and services. Areas of significant change include mobility, cloud-based computing, AI, digitalization and the processing and analysis of large and unstructured data (so-called big data analytics). Our future success will depend on our ability to anticipate these advances and trends and develop tailored new product and service offerings to meet our customers' evolving needs. If we fail to anticipate or respond to these advances and trends on a timely basis, or if we fail to develop services or technologies that fail to meet our customers' needs or gain traction in the marketplace, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We invest in R&D and innovation to support the ongoing improvement of our organization, increase our competitive capacity and fulfill the needs of a fluid, rapidly changing market. There is no guarantee that our R&D efforts will be successful and result in significant design or performance improvements or marketable products or features. Even if successful, such efforts may require us to incur substantial costs and may result in products and services that are more expensive than anticipated, as a result of which we may lose all or a portion of our investment. If we are unable to successfully anticipate technological developments, we may be forced to implement these new technologies at a substantial cost in order to match technological developments by our competitors. Any such failure to anticipate market trends and customer preferences could have a material adverse effect on our business, financial condition, results of operations and prospects.

Some of the industries in which our customers operate are subject to extensive governmental regulation, and changes in these regulations, or the failure by us or any of our third-party suppliers to comply with these regulations, could harm our business.

Some of the industries in which our customers operate, including the banking, healthcare and telecommunications industries, are subject to extensive, complex, costly and evolving laws and regulations. These regulations govern, among other things, the provisions of some of our services as well as the development of some of our products, including our Proprietary Solutions, in particular software and digital solutions, and their utilization by our customers. In addition, in providing software, digital solutions and IT services to our customers, we often process, collect and store sensitive personal data of customers, business partners, employees, third parties and others (including, among others, name, address, age, and bank details) as part of the ordinary course of our business operations. We are therefore subject to data protection and privacy legislation, including the the EU General Data Protection Regulation 2016/679 (the "GDPR") and the Italian Privacy Code (Legislative Decree No. 196/2003, as amended by Legislative Decree No. 101/2018, which adapted applicable Italian rules to GDPR). Such laws and regulations restrict our ability to collect, process and use personal data relating to customers, potential customers, business partners, and employees, including for marketing purposes.

In particular, the GDPR, which came into effect on May 25, 2018, and was immediately binding across all Member States of the European Union, increased both the number and the restrictive nature of the obligations applicable to us, with a focus on the collection, processing, use and transfer of personal data. 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. Any failure, or perceived failure, by us to comply with any applicable data protection laws and regulations could result in proceedings, investigations or other actions (including class actions) brought against us by governmental entities and agencies or private individuals and entities, which may result in significant fines, penalties, judgments and reputational damages to our business, and require us to change business practices and increase the costs and complexity of compliance, any of which could materially adversely affect our business, results of operations and financial condition. 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 reputation, business, results of operations and financial condition. 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.

Any changes in these laws and regulations or procedural rules, such as those governing public procurement and tender processes, could reduce the profitability of our products and, in exceptional cases, could render the market introduction of a new product unprofitable. Any failure to comply with the applicable regulations, including by third-party licensees, partners and customers, could result in fines, enforcement actions by governments or competent authorities, injunctions or other measures which could result in reputational harm, reduced sales and market share and, in turn, could have a material adverse effect on our business, financial condition and results of operations. For example, in the year ended December 31, 2019 and in the three months ended March 31, 2020, revenues from our Telco & Media industry declined due to the significant reduction in volumes generated on *Mobile VAS*, a platform enabling mobile operators to sell value-added products and services to customers with subscriptions, resulting from restrictions imposed by the competent Italian authorities on the use of services through the *Mobile VAS* platform by such mobile operators. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Sales Mix across Activities and Industry Verticals—Sales Mix across Industry Verticals.*"

Industry consolidation could affect prices or demand for our products.

Although the Italian IT industry is still relatively fragmented, consolidation is increasing. For example, Google and TIM have recently partnered to provide cloud-based services in Italy, Amazon Web Services has recently expanded its global cloud-based services into Italy, and Microsoft and Poste Italiane have partnered to provide cloud and other services to Italian companies and public-sector entities. Consolidation trends in our industry may result in new competitors with greater scale, a broader geographic footprint, better technologies and greater price efficiencies entering or servicing the markets in which we operate. This trend could create opportunities for large enterprise software and hardware companies, including our partners, to increase their market share including through the acquisition of companies that are strong in certain lucrative market niches or that have broad installed customer bases. In doing so, these competitors may be able to reduce prices on products or software that compete with our solutions, also by leveraging their larger economies of scale, which may result in a decrease of the demand for our products and, in turn, could have a material adverse effect on our business, results of operation, financial condition and prospects.

Cybersecurity issues could impact our business.

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate internally and with our customers, partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the increased use of mobile technologies, social media and cloud-based services in recent years, the potential risk of security breaches and cyberattacks increases. Such breaches and cyberattacks could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of sensitive or confidential information, including personal data of, among others, our employees, customers, contractors, vendors and other business partners, as well as personal data stored on our products or through our services by our customers, which may result in damage to our reputation and brand and adversely affect our relationships with our customers. Cybersecurity threats are constantly evolving and have increased in sophistication and speed in recent years, thereby increasing the difficulty of detecting and defending against them. In addition, the fast-paced, evolving, pervasive, and sophisticated nature of certain cyber threats and vulnerabilities, as well as the scale and complexity of the business and infrastructure, make it possible that certain threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack on one of our customers and its customers.

The risk of such attacks includes breaches and attempted breaches not only of our own products, services and systems, but also of those of our customers, employees, contractors, business partners, vendors and other third parties as well as of third-party systems on which we rely to operate our digital platforms. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of our data or systems or those of our customers or other third parties, theft of sensitive, regulated, or confidential data including personal information and intellectual property, loss of access to critical data or systems through ransomware, destructive attacks or other means, and business delays, service or system disruptions or denials of service. Furthermore, certain industries in which our customers operate, including the healthcare and finance industries, require heightened standards for the handling of sensitive data and can be subject to regulatory overview, which can result in an increase in our compliance expenses and negative publicity for our products and services in case of a breach or attempted breach.

In the event of such actions, we, our customers and other third parties could be exposed to potential liability, litigation, and regulatory or other government action, as well as to the loss of existing or potential customers, damage to brand and reputation, and other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant. We also experience and respond to cybersecurity threats from time to time. As our business and the cybersecurity landscape evolve, we may also find it necessary to make significant further investments to protect data and infrastructure. However, there can be no assurance that such investments will prevent future cyberattacks or other threats from occurring which may result in material adverse effects on our business and operations. In addition, the trend to publicize vulnerabilities discovered in our industry increases the risks posed by these attacks and the potential costs that we, our partners and/or our customers might have to incur to respond and remediate to any of such attacks. Any of the foregoing, individually or in the aggregate, could have a material adverse effect on our business, results of operation, financial condition and prospects.

Damage or disruptions to our technical infrastructure and facilities could adversely affect our customers' businesses and, in turn, could have a material adverse effect on our business and results of operations.

Our success largely depends on the continued and uninterrupted performance of our technical infrastructure in order to provide services to our customers. Our contracts for the provision of services often guarantee only minimal downtime of the services that we provide. In particular, we are dependent on the uninterrupted performance of our four data centers, which are central to the IT infrastructure and services we offer to our customers and on which we rely for our own operations. We also rely on uninterrupted access to the wider power and telecommunications network, and any significant failure, damage or destruction of the basic infrastructure such as power and telecommunications systems in the locations in which we operate, could affect the quality of our services and cause service interruption. Our infrastructure may be damaged in natural disasters such as earthquakes, floods or fires, due to wars or terrorist attacks, or be subject to damage or compromise from human error, technical disruptions, unauthorized access, power failure, computer glitches and viruses, telecommunications failures, adverse weather conditions and other unforeseen events. Any of such events may cause disruptions to information systems for sustained periods, result in system interruptions outages or delays in our systems or deterioration in their performance, which could impair our ability to operate our business.

As many of our services play a business-critical role for our customers, any damage to or failure of the infrastructure we rely on (even if temporary), could disrupt our ability to deliver information to and provide services for our customers in a timely manner. Enhancing our IT systems and applications to achieve improved stability and redundancy, as well as putting in place remedies to resolve a disruption or other interruption of our IT services, may be time-consuming and expensive and may require resources and expertise that are difficult to obtain. If we are unable to invest in maintaining and improving our IT systems and applications, the likelihood of the occurrence of system interruptions may increase. While we have developed certain contingency and disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of these types of events, such plans and systems might not be fully redundant or sufficient. Our data centers' redundancy mechanisms could fail, resulting in damages, data loss, service interruptions and other disruptions of our IT systems and applications, any of which could severely affect our ability to operate our business. In addition, our property damage insurance coverage may not be sufficient to cover the costs of repairing the damage caused from such disruptive events or such events may only partially be covered under our policies or not at all. If we are unable to operate our business as a result of any significant or sustained interruption of our technical infrastructure could have a negative effect on our services and result in damages for breach of contract, litigation, reputational damage and could ultimately result in the loss of current and/or potential customers or in reduced business from current customers which, in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to deliver timely and effective implementation of our services to our customers and maintain sufficient levels of support and maintenance services post-implementation could have a material adverse effect on our business.

Our services and solutions typically follow a strict timeline for implementation, rely on integration with existing customer systems and, in some cases, require post-deployment maintenance and support services. In general, system implementation, migrations and integrations can be impacted by unforeseen challenges in delivering solutions on time and to budget. Due to the length and complexity of some implementations and the ongoing evolution of product cycles, we may face unforeseen issues with service deliveries that can have an adverse impact on customer satisfaction and profitability. If our customers are dissatisfied with the quality of our services and decide to terminate the integration of our products with their existing systems, we may incur costs that we would not be able to offset with revenues we were expecting to generate from such services.

If we do not provide effective or timely ongoing support, our ability to sell additional services to existing customers or our ability to retain such customers may be adversely affected and our reputation within the market, including with potential customers, could be damaged. In addition, support for the majority of our services and solutions can be provided by third-parties, and our failure to meet our clients' expectations may result in third-parties capturing a portion of revenue streams generated from support operations on our products and services. In addition, to the extent that we are unsuccessful in hiring, training and retaining adequate support resources, our ability to provide adequate and timely support and maintenance services to our customers will be negatively impacted, and our customers' satisfaction with our services may be adversely affected. Our failure to provide and maintain high-quality support and maintenance services could materially adversely affect our business, financial condition, results of operations and prospects.

We rely on the reputation of our brand.

Our business depends in part on a strong brand image, and any negative impact on the reputation of, and value associated with, our brand name could adversely affect our business. Our brand, image and reputation represent an important part of our business and are dependent on our top-of-the-market service offering, our contractual performance, the maintenance of good relationships with our customers, compliance with applicable laws and successful management of disputes that occasionally arise in our day-to-day business activities. Furthermore, we operate and provide services to customers in sensitive environments, such as to our customers in our Finance, Health and Energy & Utilities industry verticals, the specificities of which continuously expose us to factors outside of our control that may negatively affect our reputation. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of our brand, which could lead to decreased demand and have a material adverse effect on our business, financial condition, results of operations and cash flows. Successful cyber-attacks or technical issues could also negatively impact the market perception of the effectiveness of our products and harm our ability to keep existing customers and to attract new customers.

We face risks related to the services we provide to government and other public entities.

In the twelve months ended March 31, 2020, we generated 22% of our revenue through our Public Administration industry vertical, which primarily includes the sale of products and services to municipal, local and regional governmental and other public and semi-public entities in Italy. Projects involving governments or governmental agencies carry various risks inherent in the government contracting process, including the following:

- government entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions or other debt constraints could result in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination;
- terms and conditions of contracts with public sector entities tend to be more onerous than other contracts and may include, among other things, extensive rights of audit, more punitive service-level penalties and other restrictive covenants;
- contractual non-compliance (including improper billing), failure to comply with procurement regulations and regulation regarding the protection of classified information, and other improper or illegal activities, may result in various civil and criminal penalties and administrative sanctions, fines and suspensions or debarment from doing business with the government, in addition to other typical remedies for breach of contract, which may include termination of the relevant contracts, forfeiture of profits and suspension of payments;
- government contracts are often subject to more extensive scrutiny and publicity than other contracts. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect our business and reputation;
- participation in government contracts could subject us to stricter regulatory requirements, which may increase our cost of compliance;
- political and economic factors, such as pending elections, the outcome of recent elections, changes in leadership among key executive or legislative decision-makers, revisions to governmental tax or other policies and reduced tax revenues, can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that we bid for, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed;
- government contracts may involve multiple parties in the delivery of services and require greater project management efforts on our part, and any failure in this regard may adversely impact our performance and reputation;

- litigation or disputes with government and public entities may lead to us being banned from contracting with other government and public entities or participating in public tenders, which would have both an economic and a reputational impact on us; and
- public sector-related customers sometimes follow payment management processes that are subject to review by other government authorities or other entities, which may cause delays or adjustments to their own payment schedule. This dynamic creates seasonality in our cash flows, which could give rise to liquidity problems during the periods when collection associated with projects are structurally lower.

If one or more of the foregoing risks were to materialize, they could have, individually or in the aggregate, a material adverse effect on our business, results of operation, financial condition and prospects.

Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations.

Significant outbreaks of contagious diseases, including the outbreak of the COVID-19 pandemic or other illnesses, may result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, leading to substantial declines in consumer purchasing power and resulting in an economic downturn that could affect demand for our products, our ability to collect against existing trade receivables and our operating results. In particular, in response to the COVID-19 pandemic, on March 9, 2020, the Italian government imposed a nationwide quarantine together with several other measures, which have had a material adverse impact on the overall Italian economy and, as a result, could have a material adverse impact on our results of operations. As a result of these restrictive measures, we closed substantially all of our facilities in Italy and internationally, while maintaining a limited number of employees in business-critical functions on site to operate our data centers, and transitioned all of our remaining employees to remote working. Additionally, even though the nationwide quarantine was lifted on May 4, 2020, significant restrictions and social distancing measures remain in place, which continue to adversely affect the overall Italian economy and, in turn, our operations. Our operations are primarily based in Italy, and if a significant portion of our workforce is unable to work effectively due to prolonged illness, quarantines, shelter-in-place arrangements, government actions, facility closures or other reasons in connection with the COVID-19 pandemic, our operations could be materially impacted. We may be unable to perform fully on our contracts and carry out new sales activity, and some of our costs may not be fully recoverable or adequately covered by insurance.

In addition, as a result of social distancing measures and restrictions imposed in response to the COVID-19 pandemic, our customers may not be able to operate their businesses for a prolonged and indeterminate period of time, which, if materialized, will likely impact our operations. Additionally, it is possible that the continued spread of COVID-19, further waves of infection, or a renewed or extended lock-down, if materialized, will cause further disruption in our business operations, cause delay, or limit the ability of, municipal customers and other customers to perform under their existing contracts, including making timely payments to us, and cause other unpredictable events. Customers may experience significant losses due to the COVID-19 outbreak and may terminate their existing contracts or postpone or ultimately cancel future planned orders and contracts due to those losses. Both domestic and international travel may be further restricted to certain areas which may limit our ability to obtain new customers and enter new markets, to provide services in the areas in which our customers are currently located or otherwise conduct our operations as we would do under normal circumstances.

To the extent our activities are disrupted by restrictions imposed by governments or other authorities to address the risk of transmission of COVID-19, or by changes in customer behavior, this may result in a loss of customers, and our future rate of growth may slow compared to the past. The general economic impacts of COVID-19 restrictions on the communities that we serve may result in customers not being able to continue to pay for our IT software, services and solutions or deciding to postpone, cancel or reduce their investment in IT software, services and solutions. This could result in an increase in bad debts and cancellations, as well as in a reduction or delay in revenue collection, which could impact our liquidity, cash flow, profitability and attrition rate negatively. The disruptions triggered by COVID-19 in countries where our suppliers and customers are located, such as Italy, may result in a slow-down of their production activities and other disruptions, any of which could have a material impact on our business, financial condition and results of operations and cash flows.

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 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. 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 outbreak are adequate and will be effective in achieving their goals. It is unclear when, if at all, the COVID-19 outbreak will be contained. 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. The extent to which the COVID-19 pandemic negatively affects our business, results of operations and financial condition depends on several factors, such as the duration and severity of the COVID-19 pandemic, any additional periods of lockdown in Italy and/or the countries in which our customers are located, and the pace at which demand, pricing and, in general, economic and operating conditions will stabilize and recover in the countries where we operate, including Italy. Any future developments are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. To the extent the COVID-19 pandemic adversely affects our business, results of operation, financial condition and prospects, as well as our ability to perform our obligations under the Notes, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

Any delay or failure in payment for our services by customers who represent a large percentage of our accounts receivable balance could adversely affect our business. Additionally, an increase in our accounts receivable and in our provisions for bad debt, may negatively affect our working capital and lead us to experience liquidity constraints.

From time to time, we carry significant accounts receivable balances from customers that generate a large portion of our revenues. While we closely monitor timely payment of our accounts receivable, a customer may become unable or unwilling to pay its balance on time due to, among other reasons, an economic weakness in its industry or the financial insolvency of its business. In the twelve months ended March 31, 2020, our average days sales outstanding (DSOs) in trade receivables, excluding the effect of non-recourse sales of receivables, was approximately 222 days. Any increase in our DSOs due to delays in payments could negatively impact our liquidity. In addition, we account for possible write-downs of our accounts receivable from customers through the creation of a bad debt provision. As of the years ended December 31, 2017, 2018 and 2019 and as at the three months ended March 31, 2020, the amount we allocated to doubtful debt provisions with respect to receivables from customers were €46.4 million, €39.3 million, €54.4 million and €54.4 million, respectively. These amounts primarily relate to unpaid invoices by Sicilia Digitale S.p.A. See "*Business—Legal Proceedings*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Net Working Capital*." If our provisions for bad debt increase significantly, including as a result of the impact of COVID-19, this may have a material adverse impact on our operating cash flows.

Historically, we have engaged in spot sale of trade receivables to manage our working capital in peak periods. In particular, in the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, we sold €107.7 million, €155.9 million, €155.3 million and €39.2 million, respectively, of trade receivables. Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs. There can be no assurance that our operating cash flow, together with amounts available under our Revolving Credit Facility, will be sufficient to satisfy our working capital requirements. In addition, if we decide to engage in sales of our trade receivables in the future, the potentially impaired credit worthiness of our customers in light of the COVID-19 pandemic may make it more difficult or costly for us to do so, which could in turn harm our liquidity position to the extent other credit lines will not be available at that time for any reasons. More generally, delays in payments by our largest customers, requests for modifications to their contractual payment arrangements or defaults on their payment obligations to us could adversely impact our business, financial condition and results of operations.

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

Pursuing strategic and opportunistic acquisitions of product and service providers is a key component of our business strategy. Between 2017 and 2020, we acquired 21 businesses. Some of these acquisitions were material, including the acquisitions of Infogroup in 2017, and of Deus Technology, Cybertech Group and Municipia Mobilità in 2019. Despite our successful track-record of acquisition and integration of new businesses into our operations, there can be no guarantee that we will continue to be able to successfully identify suitable acquisitions or complete any particular acquisition, combination or other transaction on acceptable terms, which could prevent us from achieving our strategic goals. Our ability to acquire new businesses may be limited by many factors, including availability of financing or its conditions, debt covenants, complex ownership structures among potential targets and government regulation and competition from other potential acquirers. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations and pay interest on our indebtedness, including the Notes.

Any integration process may require significant time and resources, which may disrupt our day-to-day business and divert management's attention, and we may not be able to manage the integration process successfully. Even if we are successful in acquiring new businesses, the integration of such businesses may prove to be more difficult than we initially anticipated and could create unforeseen operating difficulties and expenditures. Integrations can be difficult and unpredictable also as a result of the complexity of software and due to the fact that acquired technologies are typically developed independently and may not have been designed to integrate with our products. Such difficulties are compounded when the products involved are well-established, as compatibility with the existing base of installed products must be preserved, and/or when the size of the acquired business is significant as compared to our size. Successful integration also requires coordination of different development and engineering teams, which could be difficult and unpredictable due to cultural conflicts and different opinions on technical decisions and product roadmaps. Acquisitions also pose certain other risks, for example, difficulties or delays in consolidating operations and achieving anticipated synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits, diversion of managerial resources away from our day-to-day business operations, overpayment for the acquired business, potentially dilutive issuances of equity securities to the extent that we issue new shares to fund an acquisition and the assumption of unexpected liabilities and undisclosed risks.

Certain contracts of the businesses acquired by us contain "change of control" provisions that require the acquired company to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. Although the agreements governing certain of our acquisitions require the target to use commercially reasonable endeavors to obtain consents or waivers relating to such "change of control" provisions prior to closing of the acquisitions, such consents and waivers are generally not a condition to closing. If a substantial number of these contracts have been, are or will be terminated as a result of our acquisition, we may be forced to enter into new contracts on less favorable terms, or we may be unable to secure replacements. While we strive to mitigate unexpected liabilities and risks through contractual protections in our acquisition documentation, we cannot ensure that such protections will be effective. In addition, if we enter into an acquisition agreement but the acquisition is not consummated, we may be liable for break-up fees or other payments, which may, in some cases, be material and could, in turn, have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Finally, certain of the businesses we have acquired are operated through strategic partnerships with other investors who hold a non-controlling interest in the relevant company and might have interests conflicting with ours. See also "*—Certain of our subsidiaries have non-controlling shareholders whose interests may differ from ours. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn-out arrangements*."

Our profitability may suffer if we are not able to obtain favorable pricing, manage our costs effectively, or if we underestimate the scope of work or the cost of performance of our contracts.

If we are not able to obtain favorable pricing for our services and solutions, our revenues and profitability could be materially and negatively impacted. The rates we are able to charge for our services and solutions are affected by a number of factors, including:

- general economic, political and market conditions;
- customers' perceptions of our ability to add value through our services;
- our customers' desire or need to control or reduce their costs;
- the general competitive environment in our industry (including new competitors entering the market);
- the introduction of new services or products by us or our competitors;
- public appropriations for IT spending; and
- the procurement practices of customers and their use of third party advisors.

Our ability to improve or maintain our profitability is also dependent on our being able to successfully manage our costs, including personnel costs, which accounted for 53% of our total operating expenses in the twelve months ended March 31, 2020. Our cost management strategies include maintaining appropriate alignment between the demand for our services and solutions and our resource capacity, including staff utilization levels. We have implemented and continue to implement new remote-working policies in relation to the COVID-19 outbreak. We have incurred and continue to incur substantial costs in relation to such policies, which may increase going forward.

Finally, our contract profitability is highly dependent on our forecasts regarding the effort and cost necessary to deliver our services and solutions, which are based on available data and could turn out to be materially inaccurate. If we do not accurately estimate the effort, costs or timing for meeting our contractual commitments and/or completing engagements to a customer's satisfaction, our contracts could generate lower profit margins than planned or be unprofitable, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The loss of certain customers or a decrease in business volume from these customers may have negative effects on our business.

Our largest customers represent a significant percentage of our revenues. In the year ended December 31, 2019, our largest customer and our top ten customers accounted for 8% and 34% of our revenues, respectively.

We operate our business on the basis of framework agreements with our public sector customers. Framework agreements with our public sector customers typically have a duration of between two and five years. Contracts with our private sector customers typically have a duration of between one and three years. Our customers are generally required to pay us within 60 days from receipt of the relevant invoice. Moreover, most of our contracts, including our framework agreements with entities in the public sector, do not require the customer to commit a minimum amount of revenues.

Our customers typically have no obligation to renew their contracts with us upon expiration, and even if they do, they may not renew with a similar contract period or with the same or a greater amount of committed revenues to us. In particular, our customers may decide not to renew their contracts with us if they are dissatisfied with our services, our prices or the actual or perceived quality, durability or security of our software or platforms. Additionally, our success also depends on relationships we develop with our customers that enable us to understand our customers' needs and deliver solutions and services that are tailored to meet those needs. Since we usually provide our customers with products and services relating to a combination of our Proprietary Solutions, Application Transformations and Managed Services, the loss of a major customer, or a significant reduction in volume of business from an existing major customer, for instance as a result of such customer being dissatisfied with the quality of our work, our failure to meet performance standards under our contracts, or our non-compliance with the provisions of our contractual agreements or applicable regulatory requirements, may result in our inability to sell additional services to such customer, the loss of business volume from such customer or the loss of the customer altogether.

In addition, there are a number of factors beyond our control that could cause a reduction in business volume from a customer or the loss of a customer, including reduced technology spending in response to a challenging economic or competitive environment, consolidation, business or financial deterioration or failure and, in the case of public sector contracts, a decrease in public IT spending appropriations. If any of these events were to materialize, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects as well as on our ability to perform our obligations under the Notes.

A significant proportion of our revenues comes from contracts awarded through competitive bidding processes, which require substantial time and resource investments and may be challenged by losing bidders.

Our customers include municipal, local and regional government entities, which often require competitive bidding procedures in order to award contracts. Competitive bidding imposes substantial costs and presents a number of risks, including: the substantial cost and managerial time and effort that we spend to prepare bids and proposals, for contracts that may or may not be awarded to us; the need to accurately estimate the resources and costs that will be required to implement and service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design and to consider such estimated resources and costs in the context of a competitive tender process in order to submit a price quote that is competitive but not so low as to be loss-making if we win the bid, and the opportunity cost of not bidding on and winning other contracts that we might otherwise pursue. Over the the past few years, and mostly for central government activities, there has been a shift in the manner public administration and healthcare tenders are run, from a fragmented approach, whereby the relevant local public administration or other public entity launches a local tender to satisfy its individual IT services requirements, to a more integrated approach, whereby centralized purchasing agencies consolidate the purchasing function of the individual public administrations through the execution of framework agreements. Such agencies, including CONSIP, function as a centralized purchasing agency on behalf of many public administrations and healthcare customers and manage any relevant public tenders.

In addition, if any bids are unsuccessful, we may from time to time challenge tender procedures or outcomes, which could result in significant litigation costs and management time expended on the litigation. For example, in 2013 we challenged a tender procedure published by Consip S.p.A., which resulted in the tender procedure being amended. In 2015 Cap Gemini filed a claim against Consip S.p.A. moving for our exclusion from a tender which had been awarded to us. Additionally, we recently won a public tender for the development of Italian public broadcaster RAI's IT infrastructure which was challenged by the incumbent service provider. Challenges can be time-consuming for management, and divert their attention from day-to-day operation of our business, as well as costly, and there can be no guarantee that a challenge will be successful. Similarly, competitors frequently challenge contracts awarded to us under competitive public tenders. For instance, in 2018 Enterprise Services Italia, our customer's incumbent supplier, challenged the outcome in our favor of a tender process, asking for the tender process to be annulled. We were not successful in defending this claim. In the same year, Tesi Elettronica e Sistemi Informativi S.p.A. filed a claim in relation to a separate tender process. We were successful in defending this claim. In addition, any claims for alleged misrepresentations in our bids and proposals could also result in litigation as well as in our exclusion from awarded tender procedures and bans from participating in ongoing and future tenders. We may be required to incur significant costs and divert management's attention to defend ourselves against these challenges. Such costs can be material and involve subsequent litigation that can take years to resolve. If any of these challenges is successful, we may be required to resubmit our bid or the awarded contract may be terminated or amounts payable thereunder may be reduced, which may result in a material adverse effect on our business, financial condition and results of operations. In addition, in order to participate to public tenders or enter into certain contracts with our customers, we may be required to obtain performance bonds or other similar guarantees. See also "*—We may be unable to obtain the bid bonds, performance bonds, securities or guarantees we need to compete in certain public tenders or to enter into certain contracts with our private customers, and due to our failure to perform our obligations, counterparties may enforce performance bonds we have posted*."

We rely to a significant extent on the banking and financial services industries and are exposed to trends in such industries.

We rely to a significant extent on customers in the banking and financial services industries, which we serve through our Finance industry vertical. In the twelve months ended March 31, 2020, we generated 22% of our total revenues and 34% of our total Adjusted EBITDA from the Finance industry vertical. Our results of operations rely on our capacity to retain customers in such industries and our capacity to continue to provide them with software, digital solutions and IT services that they require. Any failure to do so could have a material adverse effect on our results of operations. Adverse trends in the banking and financial services industries, such as an economic downturn, consolidation in the sector granting certain of our customers increased bargaining power, or increased regulation of the contracts, software, digital solutions and IT services used in the banking and financial services industry could result in reduced demand for our software, digital solutions and IT services, resulting in a material adverse effect on our business, financial condition and results of operations.

We rely in part on third party providers to deliver our services to customers.

Our ability to service our customers and deliver and implement solutions depends in part on third party providers such as subcontractors, equipment components manufacturers, utility providers and network providers meeting their obligations to us and our requirements and expectations in a timely, quality manner. In particular, large and complex projects often require that we utilize subcontractors or that our services and solutions incorporate or coordinate with the software, systems or infrastructure requirements of other vendors and service providers, including of our partners. Our profitability depends on the ability of these subcontractors, vendors and service providers to deliver their products and services in a timely manner and in accordance with the project requirements, as well as on our effective oversight of their performance. In addition, we provide implementation, maintenance and other services to our clients with respect to software and platforms created or provided by third parties. Such third parties may disagree with the way we implement, maintain or provide our services with respect to their products to our customers or may claim that we interfere with their relationship with our customer, as a result of which we could become liable for damages or our relationship with our customer could be negatively impacted. Our services to customers rely on both large third party providers such as Amazon Web Services, Microsoft, IBM, Salesforce, RedHat and small third party providers such as Tibco, VMware and Piksel.

Our results of operations and financial condition could be materially adversely affected and we might incur significant additional liabilities if any of our third party providers ceases its operations, does not meet its obligations or customer expectations, or if it terminates or refuses to renew its relationships with us or seeks to renegotiate prices or other terms of our contracts with them at more onerous terms for us.

Our customers may choose to implement or use products, IT services and digital solutions developed by our partners rather than products, IT services and digital solutions developed by us.

We offer both Application Management and Managed Services for products and services of our partners that compete with our own products and services. For example, we offer our Proprietary Solution for billing and CRM NETA to our Energy & Utilities customers, which are in direct competition with similar products developed by third-party providers such as SAP that we also sell. If our customers choose to purchase the products, IT services and digital solutions of our partners over our products, our business and results of operations may be adversely affected due to the lower margins that we generate when customers choose to do so.

Some of our products and services are developed using third party open source software components and any failure to comply with the terms of the underlying open source licenses could restrict our ability to sell our products or increase our operating expenses.

We use a limited amount of software licensed by our authors or other third parties under so-called "open source" licenses. For example, our *Digital Enabler* software is developed by using open source software components called generic enablers from *FIWARE*. Some open source licenses contain requirements that the licensee make available source code for modifications or derivative works created based upon the type of open source software used. If our proprietary software is combined with open source software, we could be required, in certain circumstances, to release some of our proprietary software to the public, which may result in our proprietary software becoming generally available. In addition, usage of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Additionally, the terms of many open source licenses have not been interpreted by courts and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions.

If we are held to have breached the terms of an open source software license, we could be required to take remedial actions, including by seeking licenses from third parties, continue offering products on terms that are not commercially viable, re-engineer products or discontinue the licensing of such products if re-engineering cannot be accomplished on a timely basis, or make generally available some of the source code of our proprietary software. The occurrence of any of the foregoing could materially adversely affect our business, financial condition and results of operations.

We may be unable to adequately protect our intellectual property proprietary rights and prevent others from making unauthorized use of such rights.

The success of our business depends on our ability to protect and enforce our trade secrets, copyrights, patents and other intellectual property rights including through our ability to enforce contractual arrangements designed to protect such intellectual property rights. Our trademark registrations include, *inter alia*, the signs *Engineering*, *Qualipso*, *Bitglue*, *AREAS*, *Trend*, *ellipse*, *spagobi*, *Engineering IT Works* and others. We have taken steps to protect our intellectual property under trade secret, copyright, trademark and patent laws, as well as through contractual arrangements, all of which offer protection, provided that all relevant requirements for protection of each intellectual property assets are satisfied. Despite our efforts to protect our intellectual property rights, unauthorized parties may not be deterred from misuse, theft or misappropriation of them, including trade secrets and information that we regard as proprietary. We have filed various applications for the registration of our intellectual property in Italy and in certain other jurisdictions in which we operate. Our applications may not be granted, our existing protections may expire and we may fail to obtain such protections in the future. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Moreover, policing unauthorized use of our intellectual property is difficult, expensive and time-consuming. While we are not currently involved in any intellectual property disputes, attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or take unilateral steps to invalidate our intellectual property rights, which could result in a holding or official action that invalidates or narrows the scope of our rights, in whole or in part. If we are unable to protect our proprietary rights (including copyrights and trade secrets on our software and technologies), we may be at a competitive disadvantage compared to others who have not incurred the additional expense, time and effort which may be required to protect the innovative products that have enabled us to be successful to date. Any of these events could materially adversely affect our financial condition, operating results and prospects.

Our patents and other intellectual property, with particular reference to trade secrets, may not prevent competitors from independently developing products and services similar to or duplicative to ours. Our ability to protect our intellectual property could also be impacted by changes to existing laws, legal principles and regulations governing intellectual property, including the ownership and protection of patents.

If our applications or services are found to infringe third parties' intellectual property rights or misuse the confidential information of others, we may become liable for damages and face invalidation of our intellectual property rights.

The technology services industry is characterized by frequent claims and related litigation regarding patents, copyrights and other intellectual property rights. These claims may be asserted by operating companies as well as companies which do not manufacture or sell products and whose sole purpose is to assert patent rights against third parties in an attempt to collect license fees. Our strategic partners or our customers. In this respect, most of our customer contracts typically require us to indemnify customers against claims that our products infringe third parties' intellectual property rights or misuse the confidential information of third parties. Such claims, whether with or without merit, are time-consuming, may result in costly litigation and may not be resolved on terms favorable to us.

Successful claims of infringement, misuse or misappropriation by a third party against us or a third party that we indemnify could prevent us from distributing certain products or performing certain services or could otherwise require us to pay substantial damages, an accounting of profits, royalties or other fees. Such claims could also require us to cease making, licensing or using products that allegedly infringe or misappropriate the intellectual property rights or misuse the confidential information of others, to expend additional development resources in an attempt to redesign our products or services or otherwise to develop alternative technology that does not infringe, misuse or misappropriate such intellectual property rights, or to enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, confidential information or intellectual property rights. Defending against claims of infringement or being deemed to be infringing the intellectual property rights or misusing the confidential information of others, or challenges to the validity of our intellectual property rights, could, in each case, impair our ability to innovate, develop, distribute and sell our current and planned products and services, which could materially impact our operations. In addition, even claims of infringement, misuse or misappropriation that ultimately are unsuccessful could cause reputational harm, result in litigation costs and divert management's time and other resources, any of which could materially adversely affect our business, financial condition and results of operations.

Our sales efforts require substantial resources.

Our sales efforts typically involve educating our prospective customers about the uses, benefits and value proposition of the systems and applications that our products support. Customers often view these commitments as significant strategic decisions and, as a result, may require time to evaluate, test and qualify our solutions prior to entering into or expanding a relationship with us. Our sales force develops relationships directly with our customers, focusing on account penetration, account coordination, sales and overall market development. We spend substantial time and resources on our sales efforts and there can be no assurance that our efforts will produce a sale. Purchases of digital platforms are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. As a result, it is difficult to predict whether and when a sale will be completed and when revenue from such sale will be recognized. In addition, sales to larger customers as opposed to smaller customers may increase the amount of time and resources spent on our sales efforts and we may face competition from companies that may have pre-existing relationships or purchase commitments from such customers, which could decrease our chances of being chosen by such customers. The failure of our efforts to secure sales after investing resources in a sales process could materially and adversely affect our business, financial condition and results of operations.

Our cost saving measures may prove to be ineffective.

In order to support our business model and increase our margins, we launched a number of cost saving initiatives starting from 2017 with the aim of streamlining our operations and achieve annual run-rate cost savings, including management of vendors' rates, workforce optimization measures such as the near-shoring of approximately 200 full-time (as at December 31, 2019) employees to Serbia, as well as other cost-saving initiatives regarding for example the reduction of travel expenses. Going forward, we plan to continue focusing on such cost-savings initiatives, with a particular focus on workforce optimization measures, including the continued near-shoring to Serbia of an increasing share of our full-time employees. The achievement of these cost savings partly depends on factors that are outside of our control, including the renegotiation of certain contract terms with our vendors, suppliers and business partners, and we may therefore be unable to implement some or all of such initiatives and/or generate the expected benefits therefrom. Furthermore, the costs we incur in trying to realize these cost savings initiatives and other benefits described herein may be substantially higher than our current estimates, including due to the outbreak of the COVID-19 pandemic, and may outweigh any benefit. As a result we may not be able to achieve some or all of our targeted cost savings or incur additional unexpected costs.

Failure to attract and retain skilled technical employees and managers could harm our business.

We operate in a rapidly changing technological market and our success depends to a significant extent upon our ability to identify, attract, retain and motivate highly skilled and qualified technical personnel and management. Our employees have specialized knowledge that is in high demand, and competition for suitably qualified individuals with the relevant technical expertise in our industry and in the locations in which we operate is intense and may increase as the demand for business process outsourcing services increases. Our research and innovation operations employ a dedicated team of researchers and data scientists who command high salaries and whose skills are in high demand from competitors. In addition, we employ 240 full time employees specialized in cybersecurity, an area which requires high sophistication and specialized training. If we are unable to identify, attract, develop, motivate, adequately compensate and retain well-qualified and engaged personnel, or if existing highly skilled and specialized personnel leave us and successors or adequate replacements are not readily available, we may not be able to manage our operations effectively, which could cause us to suffer delays in new product development, experience difficulty complying with applicable requirements or otherwise fail to satisfy our customers' demands, which would have an adverse effect on our business, financial condition and results of operations. Although we have entered into non-compete agreements with certain of our managers and employees, such agreements may be deemed unenforceable by competent courts and tribunals allowing our competitors to hire and contract with such managers and employees.

The loss of members of our senior management team could have an adverse effect on our operations.

We believe that certain members of our senior management team are key to our business. We have put policies and remuneration in place 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 key members of our management leave us. Should members of senior management leave in significant numbers or if a critical member of senior management were to leave unexpectedly, this could have a material adverse effect on our business and prospects.

Our insurance coverage might not be sufficient and we might be subject to uninsured losses.

We maintain insurance coverage to protect ourselves against a broad range of risks, including in relation to property damage, data breaches, business interruptions, directors' and officers' liability and product liability, at levels we believe are appropriate and consistent with current industry practice. Our contracts with contractors also include provisions requiring such contractors to enter into suitable insurance. We also maintain general liability insurance coverage, for damage caused by disclosure of confidential information, system failures, errors or unsatisfactory performance of services to our customers in the event of a third party claim citing damages or financial loss. However, we may incur losses that may be beyond the limits, or outside the scope, of coverage of our insurance and that may limit or prevent indemnification under our insurance policies. In addition, we might not be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Further, certain categories of risks are currently not insurable at reasonable cost, which could have an adverse effect on our business, financial condition and results of operations. It is unclear if, and how, our insurance policies will cover any damages that we may suffer in relation to the COVID-19 outbreak and how our insurers will handle any related requests for damages in the future. Should our insurance providers fail to cover losses or damages as a result of the COVID-19 outbreak, or should they modify their approach in the future, our business, financial condition, results of operations and prospects could be adversely affected. Finally, there can be no assurance of the financial abilities of the insurance companies to meet their claim payment obligations.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business, including through harm to our reputation. This risk is increased as a result of our frequent acquisitions. Certain entities that we acquired in the past did not have internal control procedures of an effectiveness equivalent to ours. If we fail to maintain, or fail to cause the companies we acquire to adopt and maintain, adequate internal controls our financial statements may not accurately reflect our financial condition.

We are subject to the risk of litigation, tax and regulatory investigations, quality audits by our customers and other claims.

From time to time, we are involved in litigation including, amongst others, product liability claims, labor law related claims, litigation related to competition law, anti-trust law, tax law and patent law as well as other legal proceedings with customers, suppliers, distributors, agents, product developers, external workers, advisors and sales employees and others. For example, we are currently involved in a dispute with Pradac Informatica S.r.l. ("Pradac"), who is claiming damages for abuse of economic dependence. In addition, we are currently involved in a dispute against Sicilia Digitale S.p.A. and Regione Siciliana for unpaid invoices. As of March 31, 2020, our total exposure to Sicilia Digitale S.p.A. and Regione Siciliana amounted to €59.7 million. For a description of these and other material ongoing legal proceedings, see "*Business—Legal Proceedings*." In the aftermath of public health measures implemented in the jurisdictions in which we operate as well as our temporary personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our vendors and our employees, including with respect to health and safety measures.

In the course of our business, we are also subject to other proceedings, such as regulatory and tax investigations and audits as well as inspections by tax and other regulatory authorities, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from procurement contracting. For example, in 2019 we incurred fines in connection with a reassessment of past income taxes in an amount of €2.7 million. In addition, we are typically required to comply with certain quality standards in connection with the provision of certain services to our customers and, pursuant to some of our contracts, our customers are entitled to certain audit rights in regards to our compliance with such standards. Any finding of our non-compliance resulting from these audits could result in breach of contract claims and negative publicity which, in turn, could have a material adverse impact on our business, financial condition and results of operations. See "*Business—Quality Assurance*."

When we determine that a significant risk of a future claim against us exists, we record provisions in an amount equal to our estimated liability. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we had set aside non-current provisions for pending legal proceedings of €3.9 million, €4.0 million, €4.7 million and €3.7 million, respectively. There can be no assurance that our provisions will be sufficient to cover our actual litigation costs. Any failure to prevail in current or future litigation or to accurately predict the amounts at stake in a litigation or the likelihood of prevailing in any such litigation could result in unfavorable outcomes that could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may face labor disruptions that could interfere with our operations, and we may be unable to efficiently reorganize our workforce in the event of a market downturn.

As of March 31, 2020, we had 11,578 employees, of which 10,307 were located in Italy. As a result, we are subject to a number of collective bargaining agreements ("CCNL") in Italy. In general, the CCNLs include terms that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. Our employees in Italy are subject to various CCNLs including, among the others, the CCNL for employees in the mechanical engineering sector, the CCNL for employees in the trade companies sector, the CCNL for employees in the telecommunications sector and the CCNL for executives in the industrial sector. Trade unions and work councils exist at many of our premises, and several hundred of our employees are enrolled in one or the other. While we believe that we have good relations with unions and employees generally, there can be no assurance that our relations will not deteriorate and that we will not experience labor disputes in the future. Any failure to extend or renegotiate our collective bargaining agreements on terms favorable to us, or at all, could have a material adverse effect on our business. Additionally, the right to go on strike is provided for under Italian law, and we have historically experienced occasional labor action and cannot guarantee that our employees will not go on strike in the future, which if they occurred, could, for example, hinder our ability to provide our ordinary level of customer service, which could in turn have a material adverse effect on our business, financial condition or results of operations. During the twelve months ended March 31, 2020, approximately 3.5% of our employees, according to management estimates, participated in three nationwide labor strikes. Furthermore, in the event that we experience a significant or otherwise material increase in labor costs that we are not able to otherwise relocate within our structure and/or a deterioration in our relationship with our employees, including in relation to any actions taken in response to the outbreak of the COVID-19 pandemic, any such event could result in a material adverse effect on our business, financial condition, results of operations and prospects.

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

Conducting our business in an ethically acceptable manner is important to our reputation, status with regulators and business prospects. Any contact by our directors, employees, agents or partners with the public administration (including in the context of participations in auctions, interactions held with the public administration in the process of obtaining or renewing any authorization or license and any possible public contribution) involves risks associated with fraud, bribery, corruption, incorrect use of public contributions and other fraudulent activities by our employees and related investigations.

We are also exposed to the risk that our directors, employees or agents commit IT related crimes, which may consist of using our infrastructure to violate the IT systems of our competitors, unlawful access to banking data (including that of our customers) and damage the IT systems and documents. In addition, we may be subject to claims in connection with damage to property, business interruptions, unauthorized use of our property, unauthorized entry or breach of security protocols, negligence, willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises operated by us through us. Such claims may be substantial and may result in adverse publicity for us. Our business activities may also involve risks related to possible accidents, which may be due to our employees' activities or mistakes and may consist in crimes, breaches of security measures, damages to third parties or manslaughter. In particular, we are also subject to LD 231/2001, which is aimed, *inter alia*, at preventing direct or indirect acts of corruption (also between private individuals), bribery, money laundering, anti-competitive behavior, fraud, environmental crimes and other illegal conduct (all such offences as specifically defined in LD 231/2001). We may be unable to detect or prevent every instance of such conduct involving our directors, employees, consultants, partners, agents and third party agents' representatives and intermediaries and/or fail to adequately update and implement such monitoring systems.

In addition, our monitoring systems (including our internal whistleblowing procedures, our internal policies, our management and organizational model pursuant to LD 231/2001 and our risk management system) may not be sufficient to prevent, detect and identify inadequate practices, and violation of law by such individuals, especially given our profile, size as well as in light of the extent of our cooperation with them. Any of the foregoing circumstances (including our failure to adequately implement such monitoring systems) may expose us to civil and administrative penalties, also 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, bribery, money laundering, corruption (including among private individuals), 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 for us impossible to avoid such violation. In such circumstances, we may be subject to fines, confiscation of profits or legal sanctions (applied as interim measures during the investigations), including, subject to certain conditions being met, provisional measures, the termination of authorization, 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 ranges 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. 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. These allegations may expose us to liability under LD 231/2001. Any of the foregoing events may have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with operating in several different jurisdictions.

We operate in 50 countries, including major European countries, such as Belgium and Germany, Turkey, the United States and Latin American countries, such as Brazil. Our operations in these countries are subject to the local legal, political and economic environments. For the twelve months ended March 31, 2020, we generated 16% of our revenues abroad. Our operations are subject to local regulations including, among others, employment, tax, reporting and trade regulations. We may not be in compliance with all regulations in the countries in which we operate and may be subject to penalties and/or fines as a result. Additionally, political deadlock, economic crises and sovereign debt crises could affect our countries of operations other than Italy. Moreover, in certain countries in which we operate, political, security and economic changes may result in political and regulatory uncertainty and civil unrest. Furthermore, some of the countries in which we operate are emerging economies and as such are more susceptible to adverse global economic trends and higher inflationary pressure, which could have a negative effect on the growth of our business or operations, increase our operating costs or decrease consumer demand and spending power. Each of these factors could, individually or in the aggregate, have a material adverse effect on our business, reputation, financial conditions or result of operations.

We are subject to complex tax laws, and changes in tax laws or challenges to our tax position which could adversely affect our results of operations and financial condition.

Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the cost of our services to track and collect such taxes, which could increase our costs of operations or our effective tax rate and have a negative effect on our business, financial condition and results of operation. The occurrence of any of the foregoing tax risks could have a material adverse effect on our business, financial condition and results of operations.

Changes to accounting standards may affect our reporting of our financial condition and results of operations.

Our financial statements are prepared and presented in accordance with IFRS. Any changes in these accounting standards may have a significant impact on our financial condition and results from operations. In particular, there are a number of standards, amendments and interpretations which have been issued by the IASB and IFRS standards are subject to change. Certain IFRS standards have been recently revised by the IASB. Notably, the effectiveness of IFRS 16 (from January 1, 2019), IFRS 15 and IFRS 9 (from January 1, 2018) have had an impact on the manner in which we carry out our financial reporting. In particular, IFRS 16 had an impact on our reported assets, liabilities and income statement as we recognized new assets and liabilities for our operating leases, IFRS 15 had an impact on our revenue recognition, and IFRS 9 had an impact on recognition, classification and measurement of financial assets and financial liabilities and derecognition of financial instruments, impairment of financial assets and hedge accounting. We have not restated the financial information for prior periods to give effect to the impact of IFRS 16, IFRS 15 and IFRS 9. As a result of these changes in accounting policies, our results and financial position may not be directly comparable from period to period.

Furthermore, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, impairment of assets, leases terms, purchase price allocation, deferred tax assets, receivable from Sicilia Digitale S.p.A. and fair value of options on non-controlling interest are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us could require us to make changes to our accounting systems to implement these changes that could increase our operating costs, and could significantly change our reported or expected financial performance.

We are subject to anti-corruption and anti-bribery laws and regulations in the jurisdictions in which we operate.

We are subject to anti-corruption and anti-bribery laws and regulations in various jurisdictions in which we operate, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010, Italian Royal Decree 1398/1930 and Italian Legislative Decree 231/2001, “LD 231/2001” which, among other things, prohibit giving or offering to give anything of value (such as gifts, payments or any other benefits) with the intent to influence any officer, employee, agent or advisor or with the intent to award governmental contract.

Although we believe that we have adequate policies (including both the management and organizational model we adopted pursuant LD 231/2001, which is aimed at preventing offences specifically identified therein and the ISO 370001 anti-bribery management system) and enforcement mechanisms to ensure legal and regulatory compliance with these and other similar laws and regulations, we cannot rule out that some of our employees, subcontractors, agents or partners may violate any such legal and regulatory requirements, which may expose us to criminal or civil investigations and enforcement actions, including penalties and suspension or disqualification from procurement contracting. If we fail to comply with legal and regulatory requirements, our business and reputation may be harmed. The involvement or association of our directors, employees or agents in any fraud, bribery or corruption and other crimes committed in relation to our activities or otherwise, or allegations or rumors relating thereto, could have a material adverse effect on our business, financial condition and results of operations or negatively affect our reputation. The materialization of any of the foregoing risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

Market share information, market growth forecasts and other company and third-party industry data and information presented in this Offering Memorandum were prepared prior to the outbreak of the COVID-19 pandemic and may be inaccurate.

Market share information and other industry data and information presented in this Offering Memorandum, and in particular the estimated market growth rates and other industry related forecasts, were prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, which has since had an adverse effect on the Italian IT Services and Software & Solutions markets. None of this data or information has been updated to account for the ongoing impact and adverse effect of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets. Consequently, our market shares and growth rate of our market shares following the impact of the COVID-19 pandemic could materially deviate from those presented in this Offering Memorandum.

A substantial portion of our assets are represented by goodwill, trademarks and other intangible assets, and we may never realize the full value thereof or we may be required to write down the value of our goodwill, trademarks and other intangible assets.

We have recorded a significant amount of goodwill, trademarks and other intangible assets. As of March 31, 2020, our total goodwill, which represents the excess of cost over the fair value of the net assets of the businesses we acquire, was €112.5 million, or 5.8% of our total assets, and the value of our trademark, which mainly relates to the Engineering brand, was €453.0 million. We perform goodwill, trademark and other intangible assets impairment testing on an annual basis, and we did not incur in impairment losses on goodwill, trademark and other intangible assets in the twelve months ended March 31, 2020 and in the years ended December 31, 2019 and 2018. If we were to conclude that a future write-down of our goodwill, trademark or other intangible assets is necessary, we would have to record the appropriate charge, which could result in a material adverse effect on our results of operations. A write-down of our goodwill, trademark or other intangible assets may result from, amongst other things, deterioration in our performance or a decline in expected future cash flows. We cannot exclude that as a result of the COVID-19 pandemic we will not suffer any material impairment losses on our goodwill, trademark and other intangibles. In the event we incurred any such losses, there can be no assurance that we would be able to recover part or all of their amount in the future. As of March 31, 2020 we had €159.4 million of deferred tax liabilities, €126.4 million of which related to the value of our trademark, €14.4 million of which mainly related to grants which have to be collected but taxable in five years, €13.8 million of which related to the allocation of the goodwill of companies that have been consolidated into the Group, which will be reversed in the by 2022, €4.2 million of which related to goodwill not allocated and not amortized in accordance with the applicable IAS accounting principles but tax deductible. No impact on cash flow and no risk with respect to each deferred taxes.

Certain of our subsidiaries have non-controlling shareholders whose interests may differ from ours. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn-out arrangements.

We operate a number of our businesses through strategic partnerships with other investors who hold a non-controlling interest in the relevant business. Our relationships with these strategic partners are governed by various contractual arrangements, which regulate, *inter alia*, the corporate governance, management and administration of such businesses. In certain circumstances, certain material decisions regarding such subsidiaries' operations, such as capital increases, relocation of corporate domicile and other relevant matters, require the consent of non-controlling shareholders. In selected cases, we have also undertaken to make yearly dividend distributions. Our strategic partners may not necessarily share our views on the manner in which the relevant business should operate and may exercise their rights in a manner which is adverse to us, which, in turn, may adversely affect our business. Moreover, if we are unable to resolve such conflicts of interest or disputes with strategic partners in an amicable way, we may be required to initiate legal proceedings, which would require us to incur significant costs and expose us to substantially uncertain outcomes. As a result, any disputes with our strategic partners could cause a material adverse effect on our business, financial condition and results of operations. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn out arrangements. Our overall liability with respect to such put and call option relating to non-controlling holdings of certain Target Group companies (the "Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries") is accounted for as other non-current liabilities in our unaudited interim condensed consolidated financial statements as of March 31, 2020, amounted to €37.2 million (on a discounted basis). The Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries reflect our estimate of discounted future disbursements in connection with such options, based on the applicable contractual provisions. The value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries is subject to change over time as the exercise price of each put and call option and earn out arrangement is dependent on, among other things, the performance of the relevant company in a given future period, which could differ from the performance that we estimate when determining the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for accounting purposes. If the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries changes, the change is accounted for in our income statement as finance income (if the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries decreases) or finance expense (if the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries increases). If we underestimate the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for any reasons, our financial liabilities would be higher than the ones reported in our consolidated financial statements and the cash amounts we would be required to pay our strategic partners would be higher than expected. If we are required to make any such payments, our liquidity position would be adversely affected. In addition, we may not have available cash on our balance sheet to acquire the relevant non-controlling interests at the time we are contractually required to do so and we may otherwise be unable to obtain financing at favorable terms and conditions or at all. If we do not comply with our contractual obligations to purchase non-controlling interests, we may become subject to legal proceedings and incur substantial costs and expenses, which, in turn, may have a material adverse effect on our business, financial condition and results of operations.

Our operating results may fluctuate from one quarter to the next due to various factors, including revenue generation, cash collection and billing patterns.

Our operating results may differ significantly from quarter to quarter and our business may be affected by several factors including the timing between the receipt of purchase orders from our customers, the date of a new contract is entered into and the beginning of the provision of the services or of the launch of new products and services, the termination of existing contracts, the loss of existing customers, variations in the volume of business from customers resulting from changes in our customers' operations or the onset of certain times of the year, the business decisions of our customers regarding the use of our services, start-up costs, delays or difficulties in expanding our operational facilities and infrastructure, changes to our revenues mix or to our pricing structure or that of our competitors, inaccurate estimates of resources and time required to complete ongoing projects, longer customer payment terms, currency fluctuation, seasonal changes in the operations of our customers and external circumstances, including pandemics and other catastrophic events.

Typically, while our cash collection is stable during the first two quarters of each year on the back of the ongoing fees we receive by customers under all our ongoing contracts, our cash collection usually peaks during the fourth quarter of each year due to the finalization of accounts and payment of invoices by our customers in anticipation of the end of the financial year. Our cash collection is typically lowest during the third quarter of each year due primarily to extended school holidays in Italy during the month of August. Our billing cycle and the recognition of revenues in our income statement is typically subject to similar seasonal drivers, with a stable level of revenues recorded in the first two quarters of each year, when we collect purchase orders from customers, and the highest revenues recorded during the third and fourth quarter of each year when we typically issue invoices to our customers in connection with the formalization of purchase orders as binding contracts and the finalization of our yearly accounts. These drivers cause differences in our revenues among the various quarters of any financial year, which means that the individual quarters of a year may not be directly compared with each other or used to predict annual financial results. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations and Financial Condition—Revenue generation, cash collection and billing patterns.*"

In addition, the sales cycles across our industry verticals is typically long, with the time between the receipt of purchase orders, the date a contract is entered into and the beginning of the provision of services ranging from an average of six months for private sector customers to one to two years for contracts awarded under public tenders. Customers may terminate their contracts prior to execution thereof, in which case the costs we incurred prior to termination might not be entirely recoverable, if at all. Moreover, the internal budget and approval processes of our prospective customers make it difficult to predict the timing of new client engagements. Also, since we recognize revenues only upon actual provision of the contracted services and when the criteria for recognition are achieved in accordance with IFRS, the financial benefit of gaining a new client may not be realized at the intended time due to delays in the implementation of our services or to an increase in the start-up costs required in building our infrastructure. Any of these factors, individually or in the aggregate, may make it difficult for us to prepare accurate internal financial forecasts or replace anticipated revenues that are not realized as a result of these delays, any of which may have a material adverse impact on our business, financial condition, results of operations and cash flows.

Furthermore, historically, from time to time, to even out our cash generation cycle and to manage our working capital and other liquidity needs, we engaged in the sale of receivables, also through spot sales of receivables. Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs, as a result of which seasonal fluctuation in our cash balance may be more extensive.

We may be unable to obtain the bid bonds, performance bonds, securities or guarantees we need to compete in certain public tenders or to enter into certain contracts with our private customers, and due to our failure to perform our obligations, counterparties may enforce performance bonds we have posted.

From time to time, in the ordinary course of our business and, in particular, in order to be able to participate in competitive tenders, enter into contracts with certain customers, particularly those in our Public Administration industry vertical, or receive advances on the payments under contracts with them, we are required to provide customers with bank guarantees and/or insurance bonds (including commitments relating our participation in public tenders (so called "bid bonds"), advance payment, performance or guarantee bonds). Our ability to obtain such bonds and guarantees from lenders such as banks, financial intermediaries and/or insurance companies depends on several factors, including such lenders' assessment of our overall financial condition, and of the financial condition of any of the companies in our Group that are involved, and of the risks of the service to be provided, as well as such company's financial and reputational track record, also in terms of previous enforcement of performance bonds and guarantees. If we are unable to obtain new bonds and guarantees, if we renegotiate existing bonds and guarantees on less favorable economic terms, or if we are required to pay penalties in the event that we default on our obligations, our ability to obtain new commissions or enter into new contracts could be impaired or become significantly more costly, which could all have a material adverse effect on our business, results of operations, financial condition and prospects.

In the ordinary course of our business, we provide certain guarantees with respect to, among others, our participation in tender offers. Such guarantees amounted to €380.7 million as of December 31, 2019. We also provided performance bonds and bid bonds in an amount of €63.0 million as of December 31, 2019. Some of these bonds and guarantees include cross-default provisions which could be triggered if we default under other bonds and guarantees, which could amplify the impact of a default under these instruments. If our customers were to enforce the bonds, including as a result of our default or alleged default under any applicable terms and conditions, laws or regulations, we were required to post at the time of the relevant contract or tender, we could be subject to payment obligations, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and prospects. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements.*"

Our liabilities in relation to post-employment benefits are significant and we may be unable to continue funding such post-employment benefits into the future.

Our obligations with respect to post-employment benefits are substantial and, amounted to €74.1 million, €74.4 million, €69.8 million and €67.7 million as of March 31, 2020 and December 31, 2019, 2018 and 2017, respectively. Valuations of the liabilities of our post-employment benefits are based on certain actuarial assumptions, which include, for example, discounting factors, demographic trends, life expectancy, pension trends, future salary trends and expected returns on assets. If any of these assumptions are revised, additional contributions may need to be made to the funds, which could have a material adverse effect on our financial condition, liquidity and results of operations. There can be no assurance that that in the longer term we would be able to fund the aforementioned post-employment benefits if required to do so on an immediate buy-out basis or at a more accelerated rate than our current funding obligations. If the market value of the fund assets declines or if the value of the assessed liabilities increases, we may be required to increase our contributions and this may have a material adverse effect on our financial condition, liquidity and results of operations.

Risks Related to the Transactions

The Issuer does not currently control the Target Group and will not control the Target Group until completion of the Acquisition and the Acquisition is subject to significant uncertainties and risks.

The Issuer does not currently control the Target Group. The Issuer will not obtain control of the Target until completion of the Acquisition. The Sellers may not operate the business of the Target Group during the interim period in the same way that we would. The information contained in this Offering Memorandum has been derived from industry publications and from surveys or studies conducted by third-party sources and, in the case of historical information relating to the Target Group, it has been provided to us by the Sellers as well as members of management of the Target Group, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by them, which could have an impact on work quality and retention. In addition, prior to the Acquisition Closing Date, the Target Group will not be subject to the covenants described in "*Description of the Notes*." As such, we cannot assure you that, prior to such date, the Target Group will not take actions that would otherwise have been prohibited by the Indenture had such covenants been applicable, including paying dividends, incurring debt or making investments. Holders of the Notes will not be able to rescind their decision to invest in the Notes, including in the event of changes in the financial condition of the Target Group, the terms of the Acquisition or the Refinancing.

The Acquisition is subject to certain customary closing conditions and there can be no assurance that such conditions will be met. In particular, as at the date of this Offering Memorandum, the authorization of the Acquisition by the presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*) under the Italian Golden Power Legislation has not yet been obtained. Even if we receive the approval, such approval may in any event be subject to certain implementing measures as well as impose specific conditions in order to consent to the implementation of the Acquisition. Furthermore, Italian Golden Power Legislation (including clearances regime thereof) will continue to be applicable to the Target and, following the Post-Completion Merger, MergerCo, in case the relevant entity is involved in any transaction, act or resolution falling within the scope of the Italian Golden Power Legislation, including, among others, any transfers of the Target and MergerCo's shares, including upon enforcement of the Target share pledge and Issuer share pledge (and, following the merger, MergerCo's share pledge), the granting and/or enforcement of security over certain assets of the Target and/or any other transactions triggering a change of control. See "*—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 and may require prior approval by certain regulatory bodies*." Moreover, pursuant to the Italian Golden Power Legislation, the Post-Completion Merger will be subject to a new filing with the Italian Council of Ministries and the obtainment of the relevant clearance will be subject to a simplified procedure being an extraordinary transaction implemented by companies belonging to the same Group. See "*—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all*."

Finally, the COVID-19 outbreak may impact certain of those closing conditions and may result in certain closing-related activities that would otherwise be routine, such as the notarization of certain documents and the obtainment of original signatures, becoming more complex or time-consuming.

If the conditions to the escrow 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. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption.

The gross proceeds from the Offering will be held in the Escrow Accounts in the name of the Issuer and will be controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Fixed Rate Notes and the Floating Rate Notes, respectively, pending the satisfaction of certain conditions, some of which are outside of the control of the Issuer and the Target Group, including regulatory and antitrust approvals. Completion of the Acquisition is one of the conditions to the release of the proceeds from escrow. If the Acquisition is not consummated on or before the Escrow Longstop Date or in the event of certain other events that trigger escrow termination, the Notes will be subject to a Special Mandatory Redemption, as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," and you may not obtain the return you expect to receive on the Notes. The escrow funds will be initially limited to the gross proceeds from the Offering and will not be sufficient to pay the Special Mandatory Redemption price, which is equal to the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the date of Special Mandatory Redemption. In addition, negative interest is expected to accrue on the gross proceeds from the Offering deposited in the Escrow Accounts. Given that the escrow funds would be insufficient to pay the amounts due to the holders of the Notes in case of a Special Mandatory Redemption, as well as any negative interest accruing on the sums deposited in the Escrow Accounts, the Issuer will be required to obtain the funds to cover any such shortfall from its direct shareholder, TopCo, given that the Issuer is, and prior to the consummation of the Acquisition will continue to be, a holding company with no revenue-generating activities of its own, and no business operations or material assets. There can be no assurance that TopCo will have sufficient funds available to fund such shortfall.

The Acquisition will entitle certain customers and certain other business partners of the Target 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 and its subsidiaries, including agreements with customers and suppliers and certain grants and subsidized financings. On the Acquisition Closing Date, these counterparties could become entitled to terminate such agreements. Some of these counterparties may exercise their termination rights, which could have an adverse effect on the revenues and business of the Target. In particular, with reference to the grants and subsidized financings, the Target is expected to deliver all notices that may be required or recommended to be delivered in order to maintain such arrangements following completion of the Acquisition, including (to the extent applicable) obtaining the applicable consent from the relevant authority in case of changes in the legal structure of the Target.

In the event of termination of any material contract as a result of the Transactions, there can be no assurance that the Target or its subsidiaries would be able to successfully replace the products or services that were provided under the relevant contract at attractive prices or at all. Likewise, if the Target or its relevant subsidiaries were required to amend any such contract we can provide no assurance that the terms of such amendment will not be materially adverse to the Group or will not otherwise impact the Group's business or operations. Accordingly, any termination or amendment of a significant contract as a result of the change of control could materially or adversely affect our business and the ability to provide services to our customers. It is also possible that material supply contracts could be terminated or amended in other circumstances. If the Group fails to become a party to a material contract that historically has formed part of the Target Group's business or any such arrangement is terminated, this could have a material adverse effect on our business, results of operations and financial condition.

The Target may have liabilities that are not known to us or greater than anticipated.

The Target may have liabilities that we failed or were unable to discover in the course of performing due diligence investigations in connection with the Acquisition. We may learn of additional information about the Target that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws and regulations. For example, we could become liable for overdue payables of the Target Group to suppliers and employees that are not currently known to us, or we could become subject to tax or pension liabilities in respect of historical periods that we are not currently aware of or the amount of which we underestimated. In conducting our due diligence, we have been required to rely on resources available to us, including public information and information provided by the Sellers and third-party advisers. In addition, our due diligence provided for materiality thresholds, a limited scope and a restricted perimeter. There can be no assurance that the due diligence we have undertaken has revealed or highlighted all relevant facts necessary or helpful in evaluating the Acquisition. Furthermore, there can be no assurance as to the adequacy or accuracy of information provided during the due diligence exercise or that such information was accurate and remained accurate through the conclusion of the due diligence exercise. The due diligence process is inherently subjective. If the due diligence investigation failed to identify material information regarding the Acquisition, the Target may later be forced to write down or write off certain assets, significantly modify the business plan for the Target or incur impairment or other charges. Similarly, the materialization of certain risks, which may or may not be identified during due diligence, occur, it may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties.

Any of these events, individually or in the aggregate, could have a material adverse effect on the business of the Target, or on the financial condition and results of operations of the Issuer and our ability to fulfill our obligations under the Notes.

We may not be able to enforce claims relating to a breach of the representations and warranties that the Sellers have provided to the Issuer under the Acquisition Agreement.

In connection with the Acquisition, the Sellers have given certain customary representations and warranties in the Acquisition Agreement related to their shares, the Target and the Target's business. Nonetheless, third-parties could seek to hold the Issuer responsible for any of the liabilities the Sellers have agreed to retain, and the Issuer may not be able to enforce any claims against the Sellers relating to breaches of these representations and warranties. The Sellers' liability under the Acquisition Agreement is very limited. Moreover, even if the Issuer is able to eventually recover any losses resulting from a breach of these representations and warranties, the Issuer may temporarily be required to bear these losses itself.

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 and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. 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 holders of the Notes expect to receive on the Notes.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the Issuer, or the terms of the Acquisition or the financing thereof, between the closing of the Offering and the Acquisition Closing Date, may have an impact on the creditworthiness of the Issuer, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Risks Related to Our Capital Structure

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 Guarantee.

After completion of the Transactions, we will be highly levered and will have substantial debt service obligations. As of March 31, 2020, adjusted to give effect to the Transactions, we would have had total third-party financial indebtedness outstanding in the amount of €650.6 million, including €640.0 million representing the aggregate principal amount of Notes. In addition, we will have €160.0 million of available revolving credit under our Revolving Credit Facility, which we expect to be undrawn on the Acquisition Closing Date. In connection with the Transactions, we also expect to enter into a facilities agreement with Banco BPM S.p.A. which would provide for term loans in an aggregate principal amount of €30.0 million. We anticipate that we will continue to be highly leveraged for the foreseeable future. See "*Capitalization,*" "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"

The degree to which we will be leveraged following completion of the Transactions 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 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 the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors; 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. Although the terms of the Indenture limit our ability to incur additional indebtedness, such limitations are subject to exceptions and qualifications and the incurrence of additional indebtedness would exacerbate the risks above.

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 prior to the Post-Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.

Prior to the Acquisition Closing Date, the Issuer will not have any subsidiaries and will have no assets other than the Escrow Accounts into which the proceeds of the Offering will be deposited and which will be charged in favor of the Trustee on behalf of the holders of the Notes. Prior to the Post-Completion Merger, the Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than, following the Acquisition Closing Date, the shares it will hold in the Target and its receivables under the Funding Loan. The Issuer will be, and following the Post-Completion Merger, MergerCo will in part be, dependent upon the cash flows from its operating subsidiaries in the form of dividends, principal repayments under the Funding Loan or other distributions or payments to meet its obligations, including its obligations under the Notes. See "*—The Issuer's right to receive payments under the Funding Loan prior to the Post-Completion Merger (if it occurs) may be subordinated by law to the obligations of other creditors.*" The amounts of dividends and distributions available to the Issuer will depend, and following the Post-Completion Merger the amounts of dividends and distributions available to MergerCo will in part 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 or MergerCo, as applicable. Furthermore, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date and Target provides the Guarantee and the Target Collateral in respect of the Notes, all or a portion of its distributable profits and available reserves will, pursuant to the Whitewash Procedure, be set aside to provide the Guarantee and the Target Collateral to the Notes and, therefore, Target may not have distributable profits and available reserves in order to make distributions to the Issuer. See also "*—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." More generally, the Issuer's or, following the Post-Completion Merger, MergerCo'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 or to MergerCo, as applicable, which could adversely affect the Issuer's (or, following the Post-Completion Merger, MergerCo's) ability to make payments in respect of its indebtedness, including payments in respect of the Notes.

In particular, various agreements governing our debt may restrict and, in some cases may prohibit, the ability of these subsidiaries to move cash to the Issuer and, following the Post-Completion Merger, to MergerCo.

Applicable tax laws may also subject such payments to further taxation. 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 or, following the Post-Completion Merger, MergerCo's subsidiaries to pay dividends to the Issuer or to MergerCo, as applicable, will generally be limited to the amount of distributable reserves available to each of them and the ability to pay their debt when due. In addition, the aggregate amount of the Funding Loan is currently expected to be approximately €128.4 million, which is significantly lower than the aggregate principal amounts of the Notes, and we expect the Funding Loan to yield interest broadly in line with the interest accruing under the Notes. Accordingly, prior to the Post-Completion Merger, 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 to it, which will be subject to the risks described above and could be inefficient from a tax perspective. Following the Post Completion Merger the above-mentioned risks will apply to MergerCo.

If we are unable to complete the Post-Completion Merger and the Target cannot or is otherwise unable to complete the Whitewash Procedure, the Notes may not benefit from any Guarantee for their entire life. Following the Post-Completion Merger, none of the subsidiaries of MergerCo is expected to guarantee the Notes. In either case, the subsidiaries of the Issuer that do not guarantee the Notes and, following the Post-Completion Merger, all of the subsidiaries of MergerCo, will have no direct obligation to make payments with respect to the Notes, and, accordingly, the Issuer or MergerCo, as applicable, will rely on the ability of its respective subsidiaries to pay dividends or make other intercompany payments to it in order to be able to service the Notes. While the Indenture limits the ability of the Issuer's subsidiaries or, following the Post-Completion Merger, MergerCo'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 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 €160.0 million under the Revolving Credit Facility, which will be secured by the same collateral as the Collateral for the Notes, and the Indenture also permits the incurrence of additional debt. The 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 and the Revolving Credit Facility Agreement 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 that could be incurred in compliance with these restrictions is substantial. If additional debt is incurred, the related risks that we now face would increase. In addition, the Indenture and the Revolving Credit Facility Agreement 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 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;
- 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 the 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. While failure to satisfy the financial ratio shall not directly or indirectly constitute, or result in a default or event of default, it would result in a draw stop for any new utilizations under the Revolving Credit Facility thereby potentially adversely impacting our liquidity. Subject to the foregoing, a breach of any of the covenants or restrictions under the Revolving Credit Facility Agreement could, subject to the applicable cure period, 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 the relevant creditors are entitled to 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, event of default and/or acceleration action 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. If our creditors, including the creditors under the Revolving Credit Facility, 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, 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 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. At the maturity of the Revolving Credit Facility (which is three months prior to the maturity of the Notes), 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, or to fund our other liquidity needs.

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. If this is the case, we may not have sufficient assets to repay any portion or all of our debt.

Any failure to make payments on the 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 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 declaring all outstanding principal and interest to be due and payable;
- the lenders under the 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 Floating Rate 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 Transactions, a significant portion of our debt will bear interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates. The Floating Rate Notes will bear a variable rate based on the EURIBOR and the Revolving Credit Facility will bear a variable rate based on the EURIBOR or (as applicable) the London Interbank Offered Rate ("LIBOR"), in each case 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 contains 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, that hedges might not be available for the full amount or term of the borrowings, that break clauses might be required or that hedges will limit any benefit that we might otherwise receive from favorable movements in interest rates. To the extent interest rates were to increase significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. Further, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or 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 LIBOR is 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). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

If we determine that EURIBOR or LIBOR have been permanently discontinued or, at the request of the Issuer or the agent (acting on the instructions of the majority lenders), the agent will use an alternative reference rate in the manner as described in the Revolving Credit Facility Agreement.

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

We may enter into interest rate hedging arrangements to hedge our exposure to fluctuations in interest rates, including under the Notes and the Revolving Credit Facility. We may also enter currency hedging arrangements in respect of our international operations and our indebtedness, including the Revolving Credit Facility. Under any such agreements, we would be exposed to 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 Guarantee and the Security Interests

Prior to the Merger Date and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the Target (which is subject to the completion of the Whitewash Procedure), the Notes will be structurally subordinated to the existing or future indebtedness or obligations of the Issuer's subsidiaries, including the Target. After the granting of the Guarantee by the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than the Target. After the Post-Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

On the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior, secured, joint and several basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See "*—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all,*" "*—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." The Guarantee will be subject to certain material limitations pursuant to applicable laws as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." Furthermore, under the Agreed Security Principles, certain members of the Target Group that may provide a guarantee under the Revolving Credit Facility, even after the Post-Completion Merger, might not be able to guarantee the Notes. See also *"—Once granted, the Guarantee 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 "*Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral and/or Escrowed Property may adversely affect the validity and enforceability of the Guarantee and the Collateral and/or Escrowed Property.*"

Prior to the Post Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target). After the granting of the Guarantee by the Target (if applicable and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, none of MergerCo's subsidiaries is expected to guarantee the Notes, and the Notes will therefore be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

More generally, 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 and to the liabilities of any Guarantor to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by the Target or any other relevant Guarantor. The Guarantee by the Target, if and once granted, and any other future Guarantees, will provide the holders of the Notes with direct claims against the Target or the other relevant Guarantor, as applicable. However, the obligations of any Guarantor of the Notes under its Guarantee will be limited under the Indenture to an amount which has been determined so as to ensure that amounts payable will not result in violations of applicable laws or otherwise cause such Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable law for providing the Guarantee. As a result, a Guarantor's liability under its Guarantee could be materially reduced or eliminated depending upon the amount of its obligations and upon applicable laws. The Guarantee of the Target and of any other subsidiary which might be required in the future to become a Guarantor under the Indenture will be limited as set forth in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Generally, claims of creditors, including depositors, trade creditors and preferred stockholders (if any) of subsidiaries of the Issuer, including the Target prior to the granting of its Guarantee in the event that the Post-Completion Merger has not occurred as mentioned above, and non-Guarantor subsidiaries of MergerCo following the Merger Date, 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, MergerCo or the Guarantor, as the case may be. Accordingly, in the event that any subsidiary of the Issuer, including the Target prior to the granting of its Guarantee in the event that the Post-Completion Merger has not occurred as mentioned above, or any subsidiary of MergerCo following the Merger Date, 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, MergerCo and the Guarantor, as the case may be, including the holders of the Notes, will have no right to proceed against the assets of such non-guarantor subsidiary; and
- creditors of such 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, MergerCo or the 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 Guarantee 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.

For the year ended December 31, 2019, the Target accounted for 72% of the revenue and 63% of the consolidated Adjusted EBITDA of the Target Group, in each case, excluding intercompany eliminations. As of December 31, 2019, the Target accounted for 91% of the total assets of the Target Group, excluding intercompany eliminations. As of March 31, 2020, as adjusted to give effect to the Transactions, the subsidiaries of the Target would have had €10.6 million of third-party debt outstanding, all of which would have ranked structurally senior to the Notes.

In addition, the Indenture will, subject to certain limitations, permit the Issuer, the Target and their respective subsidiaries, including subsidiaries that are not Guarantors, 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.

We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.

Following the Acquisition Closing Date, we intend to use commercially reasonable efforts to merge the Issuer with the Target, with MergerCo being the surviving entity, as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. The Post-Completion Merger will be undertaken pursuant to the provisions of Article 2501-*bis* of the Italian Civil Code. In order to complete the Post-Completion Merger, there are various steps that we must take, including the preparation of a merger plan, a report by the directors of the companies involved in the Post-Completion Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court, assessing the sustainability of debt at the level of MergerCo. Our estimation of the timing required to complete the Post-Completion Merger is based upon market practice for leveraged buyouts in Italy, which typically involves acquisition vehicles in the form of joint stock companies (*società per azioni*) where an independent expert is required to be appointed by the court, which creates an inherent uncertainty as to the length of time in which the Post-Completion Merger can be expected to take place. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Post-Completion Merger will be taken in a timely manner, or at all. Subject to certain exceptions, the Post-Completion Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Post-Completion Merger. Within this 60-day deadline, the creditors of the companies involved in the Post-Completion Merger are entitled to challenge the Post-Completion Merger. Moreover, pursuant to the Italian Golden Power Legislation, the Post Completion Merger will be subject to a new filing with the Italian Council of Ministries and the obtainment of the relevant clearance will be subject to a simplified procedure being an extraordinary transaction implemented by companies belonging to the same group. See also "*—The Issuer does not currently control the Target Group and will not control the Target Group until completion of the Acquisition and the Acquisition is subject to significant uncertainties and risks*."

As a result of the consummation of the Post-Completion Merger, (i) in the event that the Target is the successor company resulting from the Post-Completion Merger, the obligations of the Issuer of the Notes will be assumed by MergerCo pursuant to the Indenture, and (ii) certain of the security under the Completion Collateral and the Post-Completion Collateral will cease to exist and the Notes will be secured by the security interests in the Post-Merger Collateral. In the event we are unable to consummate the Post-Completion Merger, the Post-Merger Collateral will not be granted for the benefit of the holders of the Notes, and Centurion Bidco S.p.A. will remain as the Issuer. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, the Issuer shall (i) use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior, secured, joint and several basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date and (ii) procure that, within 20 Business Days following the issuance by Target of its Notes Guarantee, the Notes will also be secured by the Target Collateral, provided that these undertakings shall no longer apply following consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See "*Description of the Notes*," "*—Once granted, the Guarantee 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 "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Following the Post-Completion Merger, Engineering Ingegneria Informatica S.p.A. may not be the surviving entity. If the Post-Completion Merger is ultimately structured such that the Issuer is the surviving entity, or if there is a new resulting entity, then Engineering Ingegneria Informatica S.p.A. will be required to transfer licenses and permits relating to the conduct of its business operations to the new entity resulting from the Post-Completion Merger, which in certain circumstances may result in the termination of licenses or contracts or the loss of key customers. There is no assurance that in such event, Engineering Ingegneria Informatica S.p.A. will be able to transfer its business licenses or permits in a timely manner, or at all, or that our business may not be materially and adversely affected.

Once granted, the Guarantee 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.

Once granted, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Guarantee will provide the holders of the Notes with direct claims against the Guarantor. The obligations of the Guarantor, the enforcement of the Guarantee and the obligations of the grantor 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 the Guarantor or provided by the grantor of security under the applicable laws of Italy, which has been determined so as to ensure that amounts payable will not result in violations of laws related to, among others, corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or *ultra vires*, or cause the directors of such Guarantor to be held in breach of applicable laws for providing such Guarantee.

In particular, enforcement of the Guarantee or Collateral against the Guarantor or the relevant security grantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Guarantee or pledges of security designed to ensure compliance with statutory requirements applicable to the Guarantor or relevant security grantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, 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 the Guarantor under its 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.

In addition, to the extent the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure in order to provide the Guarantee and to grant the Target Collateral. Such Guarantee and Target Collateral will be (prior to the completion of the Post-Completion Merger) limited to the accrued profits and/or available reserves set aside for such purpose in connection with the Whitewash Procedure and shall also be subject to the additional limitations set out below. Pursuant to, and in order to comply with, the Whitewash Procedure that is envisaged to be implemented by the Target, the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of the Guarantee issued by the Target shall not exceed, on an aggregate basis together with any proceeds deriving from the enforcement of the Collateral granted by the Target, the limit of the relevant company's credit support approved pursuant to the Whitewash Procedure. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Furthermore, pursuant to paragraph 3 of Article 2358 of the Italian Civil Code, the actual amount of credit support to be provided by the Target under its Guarantee and the Target Collateral will be subject to, *inter alia*, the corporate benefit analysis by the board of directors of the Target and will be determined by the directors on the basis of several factors including, *inter alia*, the financial condition of the Target at the time of the Whitewash Procedure and the availability of distributable profits and/or available reserves as of the date of the extraordinary shareholders' meeting approving the granting of such Guarantee. As a result, there can be no assurance that the directors of the Target will resolve that the granting of the Guarantee is in the Target's corporate interest and/or that there will be any distributable profits and/or available reserves and, therefore, that the Guarantee expected to be provided by the Target will actually be granted. See also "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests—Italy—Limitations on Validity and Enforceability of Guarantee and Security Interests under Italian Law—Whitewash Procedure.*" The enforceability of guarantees and/or security granted by virtue of the Whitewash Procedure has not been tested before the Italian courts, and is therefore inherently uncertain. In addition, to the extent losses are recorded by the Target at any time, any such losses could reduce reserves relating to the credit support previously provided by the Target in connection with the Whitewash Procedure; such losses could arise in the ordinary course of business or in connection with contingent liabilities, and it has been held by prevailing legal analysis that losses will only erode any such reserves after full impairment of other reserves and share capital.

In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date and the Target grants its Guarantee, 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 Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

(i) the Guarantee and security interests granted by the Target shall not exceed at any time an amount equal to the lower of:

  (A) the amount of distributable profits and available reserves that will be set aside for such purposes in connection with the Whitewash Procedure; and

  (B) the principal amount of the Funding Loan outstanding at the time of the enforcement of the Guarantee,

  in each case net of any proceeds already paid by the Target pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by the Target; *provided further* that the Target shall not be liable as a Guarantor in respect of any amounts in excess of the amount that the Target is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by the Target under its Guarantee;

(ii) the maximum amount guaranteed and/or secured by the Target, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by the Target 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 the Target at that time;

(iv) 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 September 1, 1993), the obligations of the Target under its 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 September 1, 1993, respectively.

In any case, the maximum amount that the Target 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 Target Collateral granted by the Target will ratably concur and not cumulate with the corresponding amounts due by the Target to any guaranteed and/or secured creditor pursuant to 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 guarantee and the security interests granted by the Target, the obligations of the Target as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and 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 Target shall not exceed on an aggregate basis the limit of the Target's credit support as described above.

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 guarantors' 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.

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 Guarantee and relevant security. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral and/or Escrowed Property may adversely affect the validity and enforceability of the Guarantee and the Collateral and/or Escrowed Property.

The Issuer, TopCo and the Target are incorporated and organized under the laws of Italy. Enforcement of the obligations under the Guarantee against, and/or any Collateral provided by, as applicable, the Guarantor and/or Collateral 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 or transfer, financial assistance, corporate benefit, capital maintenance, preservation of share capital, 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 Guarantee and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by the Guarantor or the relevant security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the Guarantor's or relevant security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the Guarantor or relevant security provider, or such 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 the Guarantee without a corresponding increase in the amount of the Guarantee will dilute the value of the Guarantee to its beneficiaries, including the holders of the Notes.

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

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

The principal amount of the Funding Loan may be less than anticipated as a result of prepayments of certain indebtedness of the Target Group prior to the Acquisition Closing Date.

On the Acquisition Closing Date, the Issuer will enter into the Funding Loan, a portion of the proceeds of which will be used by the Target (together with certain cash available on the Target's balance sheet) to repay in full and cancel the Refinanced Target Indebtedness. The principal amount of the Funding Loan is currently expected to be €128.4 million, which is significantly less than the aggregate principal amount of the Notes offered hereby. Repayments prior to the Acquisition Closing Date of amounts due in respect of the Refinanced Target Indebtedness would result in a reduction in the principal amount of the Funding Loan entered into on the Acquisition Closing Date. We cannot assure you that these amounts will not be reduced by additional payments prior to the Acquisition Closing Date, which would cause a corresponding reduction in the principal amount of the Funding Loan. The intercompany receivables arising under the Funding Loan will constitute part of the Post-Completion Collateral. Prior to completion of the Post-Completion Merger, repayments of the Funding Loan prior to the maturity date of the Notes would result in a reduction in the liability owed by the Target to the Issuer and any reduction in the principal amount of the Funding Loan would reduce the value of such receivable and the Post-Completion Collateral, as well as the value of the Target Collateral and the Target's Guarantee. Any reduction in the principal amount of the Funding Loan could also adversely affect the ability of the Issuer to make payments under the Notes if the Issuer is otherwise unable to cause its subsidiaries to pay dividends or make loans or other distributions to it. Subject to certain significant exceptions, the Funding Loan documentation, however, will prohibit the repayment, reduction, extinction or equitization of the Funding Loan. Such exceptions include, but are not limited to, the refund of the cash overfunding of the Target's balance sheet in connection with the Transactions. The Indenture will not include any restrictions on the Issuer or the Target to amend the Funding Loan documentation. See also "*—Risks Related to Our Capital Structure—The Issuer is a holding company that has no revenue generating opera*tions *of its own and prior to the Post-Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.*" The security interests in the Funding Loan will cease to exist automatically upon completion of the Post-Completion Merger.

The Issuer, TopCo, the Guarantor 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, TopCo, the Guarantor 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, TopCo, 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 in accordance with the Indenture 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.

Upon issuance on the Issue Date, the Notes will only be secured by the Escrow Charge, and on the Acquisition Closing Date, the Notes will only be secured by the Completion Collateral.

On the Issue Date, the Notes will only be obligations of the Issuer, will not be guaranteed and will only be secured, subject to certain perfection requirements, by the Escrowed Property. On the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles, by the Completion Collateral and, within ten Business Days from the Acquisition Closing Date, subject to the Agreed Security Principles, the Post-Completion Collateral. Additionally, the Post-Merger Collateral will only be granted if the Post-Completion Merger occurs and, precisely, within ten Business Days from the Merger Date, and will be subject to the Agreed Security Principles. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within 20 Business Days following the issuance by Target of its Guarantee, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and certain material limitations pursuant to applicable laws, by the Target Collateral. See "*Description of the Notes—Security.*" There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an "event of default" under the Indenture. Once granted, the security interests over the Collateral will be limited to the same extent as those under the Revolving Credit Facility and otherwise as set forth under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests,*" which limitations could be significant. It should be noted that, as a general law principle, 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 claw back provisions under applicable local insolvency laws. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Other limitations pursuant to bankruptcy or insolvency laws apply to the Guarantee.

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 Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantors or to a fund for the benefit of that Guarantors' creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantors or, in certain jurisdictions, when the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantors was insolvent when the relevant Guarantee was given;
- the relevant Guarantors did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or the relevant Guarantors was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantors or not to be in the best interests or for the corporate benefit of the relevant Guarantors; or
- the amount paid or payable under the relevant 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 Guarantors' Guarantee or grantor's creation of security on any of the aforementioned grounds and that the applicable court may determine that the Guarantee or the relevant security interest should be limited or voided. In the event that any Guarantee or security interest is invalid or unenforceable, in whole or in part, or to the extent such limitations on the Guarantee or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantors or grantor, including trade payables of such Guarantors 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 "claw back" 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 Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

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 on a "super senior" basis 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 (if any) and future indebtedness that may be secured on a super senior basis in accordance with the terms of the Indenture and the Intercreditor Agreement (the "Super Senior Liabilities")) in priority to applying any such amounts towards discharging the Notes. Any proceeds remaining from an enforcement sale of any Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied *pro rata* to the repayment of all obligations under the Indenture and any other senior secured indebtedness of the Issuer and the Guarantors that ranks *pari passu* with the Notes and is permitted to be incurred and secured by such Collateral pursuant to the Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." Furthermore, claims of our 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.

Holders of the Notes are unlikely to be entitled to a gross-up for any Italian withholding taxes, unless such Italian withholding tax is caused by our failure to comply with certain procedures.

We are organized under the laws of Italy and are resident in Italy for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain or payment on the Notes, may be subject to Italian tax laws and regulations. All payments made by us or on our behalf in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, we must pay such Additional Amounts as will result in the holders of the Notes receiving the amounts as they would have received in respect of such Notes had no such withholding or deduction been required. We will not be liable to pay any Additional Amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("Decree No. 461"), except where we or our agents failed to comply with the procedures prescribed by Decree No. 239 in order to benefit from an exemption. In such circumstances where we would not be liable to pay Additional Amounts, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Withholding Taxes*" and "*Certain Taxation Considerations—Certain Italian Tax Considerations*."

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 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 contained in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, as amended and, supplemented from time to time and replaced, (the "White List"), and such holder complies with certain certification requirements, there can be no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the White List.

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

The obligations under the Notes are secured on a first ranking basis with security interests over the Collateral that also secure our obligations with respect to the Super Senior Liabilities. 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 may refrain from taking enforcement action unless instructed to do so in accordance with the provisions described in the following paragraphs.

If the transaction security has become enforceable in accordance with its terms and either (i) the holders of the aggregate principal amount of the then outstanding 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 a copy of 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 (provided they are consistent with the enforcement principles contained in the intercreditor agreement) received from (i) the Majority Senior Secured Creditors; (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the initial enforcement notice or if the Super Senior Liabilities have not been fully and finally discharged within six months of the initial enforcement notice, the Majority Super Senior Creditors, until the first date on which the Super Senior Liabilities have been fully and finally discharged (the "Super Senior Discharge Date"); (iii) if an insolvency event (other than an insolvency event directly caused by enforcement action taken by or at the request or direction of a Super Senior Creditor) is continuing, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, or (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the transaction security or on the expected realization of proceeds of any enforcement of transaction security and the Majority Super Senior Creditors deliver instructions which they reasonably believe to be consistent with the enforcement principles as set out in the Intercreditor Agreement and necessary or advisable to enhance the prospects of achieving the enforcement objective before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

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) from any such instructing group that it may in its discretion require (which may be greater than that contained in the Secured Debt Documents (as defined below)) for any cost, loss or liability (together with applicable VAT) 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 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 the 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 Guarantee and the liens over any other assets of such entities securing the Notes and the Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" *and* "*Description of the 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 Escrowed Property (prior to the Acquisition Closing Date) or the relevant Collateral (following the Acquisition Closing Date), as applicable. See "*Description of the Notes—Security*." Not all of our assets 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 Guarantee 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.

While the Indenture creates certain obligations to provide additional 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 out a number of limitations on the rights of the holders of the Notes to be granted security or Guarantees 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. Pursuant to the Agreed Security Principles, Collateral will be limited to security over the shares of the Issuer, the Guarantor (and any other future Guarantors) and any member of the Group which is not incorporated in an Excluded Jurisdiction (as defined below) which has earnings before interest, tax, depreciation and amortization (calculated on an unconsolidated basis and subject to certain adjustments) representing more than 5% of the Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Group ("Material Company"), and certain intercompany receivables owed to a Material Company by any of its direct wholly-owned subsidiaries which are Material Companies and certain material bank accounts of the Issuer, in each case, located in the European Union, United Kingdom, the United States of America or any other jurisdiction in which a borrower under the Revolving Credit Facility Agreement is incorporated and not in any other jurisdiction (each other jurisdiction being an "Excluded Jurisdiction"), but without prejudice to the granting of the Completion Collateral. Accordingly, such agreed security principles may affect the value of the security or Guarantees provided by the Issuer and any Guarantors.

In particular, even though the Notes and the Revolving Credit Facility are expected to share the same security interests and Guarantors' package, this may not 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, applicable 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. For instance, in the event that the Post-Completion Merger does not occur, within 20 Business Days after the first anniversary of the Acquisition Closing Date, the Target will become a guarantor under the Revolving Credit Facility and, within 120 days after the first anniversary of the Acquisition Closing Date, certain material subsidiaries of the Target will become guarantors thereunder, whereas the Guarantee of the Target in respect of the Notes will be granted, subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, only to the extent the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger.

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

Application has been made to list the Notes on the Official List of the Exchange. There can be no assurance that the listing of the Notes on the Exchange will be granted in a timely manner or at all or that, once granted, will be maintained. Additionally, the Issuer makes no representation that such listing will satisfy the listing requirement under Decree No. 239 in order for the Notes to be eligible to benefit from the exemption from the requirement to apply withholding tax.

The Italian tax authorities issued an interpretive circular relating to, among other things, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed 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 the Notes—Withholding Taxes*," we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our business, financial condition and results of operations.

The Collateral is limited to certain specific assets, 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. As described elsewhere, the extent of the Collateral is limited, including by virtue of the fact that no assets located in an Excluded Jurisdiction will constitute part of the Collateral, the shares of any Material Company incorporated in an Excluded Jurisdiction shall not constitute part of the Collateral, and any such Material Company incorporated in an Excluded Jurisdiction shall not provide any guarantee or security in favor of the Notes. In accordance with the Agreed Security Principles, guarantee and/or security shall only be granted by certain entities. See "*Description of the Notes—Security*."

Trade receivables, inventories, intellectual property rights, real property and certain other assets of the Issuer, the Target 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. 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 shares and other 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 direct or indirect transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings similar to (or different from) those that has been required to be obtained in relation to the Acquisition, 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 the pledged 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 Guarantors' remaining assets.

The Indenture also permits the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. 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. In particular by operation of the terms of the Intercreditor Agreement, security interests in the Collateral may be released if a lien is granted on the Collateral in favor of other indebtedness so long as such lien is a Permitted Lien (as defined under "*Description of the Notes—Certain Definitions—Permitted Liens*"). 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.

In addition, as described above, the value of the Guarantee and the Target Collateral that will be granted by the Target will be limited further as described under "*Risk Factors—Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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 Guarantee and the Security Interests—The principal amount of the Funding Loan may be less than anticipated as a result of prepayments of certain indebtedness of the Target Group prior to the Acquisition Closing Date*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

The Collateral and the Guarantee 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 Guarantee, as well as the ability of the Security Agent to realize or foreclose on such Collateral and the Guarantee. 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 Guarantee 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 Guarantee (and any other future Guarantees which may be required to be granted under the Indenture) and security interests to secure the Notes and the Revolving Credit Facility may create hardening, claw back or voidance periods for such Guarantees and security interests in certain jurisdictions, including Italy. The granting of shared security interests (including security interests in the Collateral), 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 or claw back periods in certain jurisdictions, including Italy. The applicable hardening, claw back or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). At each time, if the security interest granted or recreated 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, in case any security interests (including security interests in the Collateral) is released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening 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 Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

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, for example, such a release and retaking of Collateral may give rise to new hardening 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 Acquisition Closing 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 and may require prior approval by certain regulatory bodies.

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. In addition, the Collateral includes, *inter alia*, a security interest over the shares of each of the Issuer, the Target and MergerCo, as applicable. To the extent the enforcement of this security interest would result in an acquisition of a holding in the Issuer, the Target or MergerCo, any such enforcement would require clearance by the Italian Government, pursuant to the applicable Italian "golden power" legislation. Accordingly, the Security Agent may not have the ability to enforce its security and the value of the security interests may significantly decrease.

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 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 Italy). 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 Guarantors owed to holders of the Notes under or in connection with the Indenture, as applicable ("Principal Obligations"), but in jurisdictions such as Italy, these Parallel Debt provisions would not be applicable provided Italian 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. Under parallel debt structures, the

Parallel Debt will typically 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, 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 Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

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 Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

The enforcement of any Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, 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.

In case of insolvency of any Guarantors, the enforcement of any collateral provided by such Guarantors may be subject to certain restrictions. For a more detailed description of various limitations on the security under Italian law, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests.*"

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 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.

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 Guarantees 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 the Notes—Meeting of Holders*", 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 untested in the Italian courts.

The insolvency laws of Italy 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 Guarantee and the security interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

On the Issue Date, our obligations under the Notes, subject to certain agreed security principles, will be secured by security interests over the Escrowed Property, on a first priority basis. On or about the Acquisition Closing Date, the Notes will be secured on a first-ranking basis, subject to the Agreed Security Principles and certain perfection requirements, by the Completion Collateral. Within ten Business Days from the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Completion Collateral. Within ten Business Days from (and excluding) the Merger Date, the Notes will be secured by the Post-Merger Collateral (as defined herein). Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior, secured, joint and several basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date, provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Issuer and the Target are incorporated under the laws of Italy. There is a rebuttable presumption that the "center 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 the registered office is situated.

The insolvency laws of foreign jurisdictions, including Italy, 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, the Guarantor (or any other future Guarantors which may be required to grant a Guarantee under the Indenture) 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).

As a consequence, enforcement of rights under the Notes, the Guarantee (and any other future Guarantees which may be required to be granted under the Indenture) and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Although laws differ across 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 Guarantee against a Guarantor, the enforceability of any other guarantee of the Notes and the enforceability of the security interests in the Collateral. In certain circumstances the court may also void the security interest or a guarantee if the relevant 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 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 Guarantees 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 Guarantees or any security interest on the Collateral to the relevant Guarantors or security provider or to a fund for the benefit of the Guarantors' 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 Guarantees or security interests are found to be a preferences, transactions at an undervalue, fraudulent transfers or conveyances or if 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 Guarantors or security provider under its Guarantees 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 Guarantor (or any other future Guarantors which may be required to grant a Guarantee under the Indenture) 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 Guarantees 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 Guarantees and the Collateral and/or Escrowed Property may adversely affect the validity and Enforceability of the Guarantee and the Collateral and/or Escrowed Property.*"

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 Guarantees were issued or the security interests created, the Guarantors or security provider:

- issued such Guarantees 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, or created such security after its insolvency;
- issued such Guarantees or created such security interest in a situation where a prudent business person as a shareholder of such Guarantors or security provider would have contributed equity to such Guarantors or security provider or where the relevant beneficiary of the Guarantees or security interest knew or should have known that the Guarantors 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 Guarantees or security interest on the basis that the Guarantees or security interest were incurred for our benefit, and only indirectly the Guarantors' or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantees 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 Guarantors' 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 Guarantees or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the Guarantors 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 Guarantees 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 Target 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 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 Guarantees 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 claw back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw back 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 claw back 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 claw back 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 claw back action. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*" 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.

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

The Issuer's right to receive payments under the Funding Loan prior to the Post-Completion Merger (if it occurs) may be subordinated by law to the obligations of other creditors.

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

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

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

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 Funding Loan borrowed by the Target. Accordingly, an Italian court may conclude that the Target's obligations under the Funding Loan are subordinated to all its obligations towards other creditors. Should the Target's obligations under the Funding Loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, prior to the Post-Completion Merger the Issuer may not be able to recover any amounts under the Funding Loan, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans (including the Funding Loan) or notes are 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 Guarantee) may be impaired or restricted.

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

Because the Notes and the Guarantee 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Securities are being offered and sold only (i) to QIBs in reliance on Rule 144A and (ii) outside the United States in an offshore transaction (as defined in Regulation S) in reliance on Regulation S. 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 Investors*."

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 Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will be or remain listed, whether on the Luxembourg Stock Exchange or elsewhere. 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 Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

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

In the event that any series of the Notes are redeemed early in accordance with "*Description of the 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 relevant series of Notes.

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 mandatory prepayment under the Revolving Credit Facility Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness (even if such change of control under the Revolving Credit Facility Agreement may be deemed not to be a change of control for the purposes of the Indenture). 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. See "*Description of the Notes—Change of Control*."

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 the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

In connection with certain tender offers for either series of Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes of such series 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 of such series validly tendered and not withdrawn by such holders of Notes, the Issuer or such third party will have the right to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes in such offer. See "*Description of the 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 corresponding to the paragraph under "Description of the Notes—Merger and Consolidation" covenant 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 are required to make an offer to repurchase 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 two of S&P, Moody's and Fitch 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 the Notes—Certain Covenants—Suspension of Covenants and Release of Fixed Rate Notes Security Interest 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.

The merger of the Issuer with the Target and the assumption of obligations under the Notes by the resulting entity may be treated as a deemed exchange for U.S. federal income tax purposes.

If the conditions for the Post-Completion Merger are met, the Issuer will merge with the Target, with MergerCo being the surviving entity. MergerCo, as the surviving entity, will assume the obligations of the Issuer under the Notes. Although the matter is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the U.S. Internal Revenue Service ("IRS") could take a contrary view, and seek to treat the Post-Completion Merger and the assumption of the obligations under the Notes by MergerCo as resulting in a taxable exchange of the Notes for "new" Notes for U.S. federal income tax purposes. If so, U.S. Holders (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") would recognize gain or loss in connection with such taxable exchange (although any loss could be disallowed) and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Post-Completion Merger is less than the principal amount of such Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with OID. Please see "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations.*"

Holders of the Notes may have adverse tax consequences in the event of an IPO Pushdown

In the event that the Issuer of the Notes changes as a result of the provisions described under "Description of the Notes—IPO Pushdown," such change in the Issuer could result in a taxable exchange of the Notes for "new" Notes for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange (although any such loss could be disallowed) and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the IPO Pushdown is less than the principal amount of such Notes (by more than a statutorily defined de minimis amount), such Notes may be treated as issued with OID. Please see "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

If the stated principal amount of the relevant series of Notes exceeds their issue price by an amount equal to or greater than a statutorily defined *de minimis* amount, then such Notes will be considered to be issued with OID for U.S. federal income tax purposes. If such Notes are issued with OID, then, in addition to the stated interest on such Notes, a U.S. Holder (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") will generally be required to include the OID on such Notes in gross income (as ordinary income) as it accrues on a constant yield to maturity basis for U.S. federal income tax purposes, in advance of the receipt of the cash payments to which such OID is attributable and regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations.*"

You may face foreign currency exchange risks or other adverse tax 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 foreign 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 other significant tax consequences. See "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations.*"

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

Unless and until Notes in definitive registered form, or definitive registered Notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holders of the Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant Global Notes representing the Notes will be made to Elavon Financial

Services DAC, as 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, as applicable, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the relevant Notes, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear and Clearstream on the procedures of the participant through which you own your 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 any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or timely basis.

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

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

The Issuer is beneficially owned by funds advised by the Sponsors. Concurrently with the consummation of the Acquisition, the Target will be directly wholly owned by the Issuer. As a result, the Sponsors 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 holders of the Notes, 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. 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 Target. In addition, the Sponsors have entered into a shareholders' agreement that provides for the governance rules of, among others, Centurion TopCo S.à r.l. and its subsidiaries. All significant actions to be taken by Centurion Newco and/or Centurion Bidco will require approval of the board of directors of Centurion HoldCo, which approval must include the favorable vote of at least one director designated by each of the Sponsors. If a matter is not approved by the board of directors of Centurion HoldCo due to a deadlock that is not solved through the procedures 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. 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. See "*Certain Relationships and Related Party Transactions*."

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be €640.0 million. The gross proceeds from the Offering will be used, together with the Shareholder Funding and cash on the Target's balance sheet, to (i) finance the purchase price for the Acquisition, (ii) refinance the Refinanced Target Indebtedness, including accrued interest thereon, (iii) pay fees and expenses in connection with the Transactions and (iv) fund cash to the Target's balance sheet for general corporate purposes. See also "*Summary—The Transactions*."

The estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below assuming the Acquisition Closing Date had occurred on March 31, 2020. Actual amounts will vary from the amounts shown in this table depending on several factors, including the actual Acquisition Closing Date, the outstanding amount of borrowings and accrued interest under the Refinanced Target Indebtedness on such date, the amount of cash available on the balance sheet of the Target on such date and differences from our estimates of fees and expenses associated with the Transactions.

Sources of Funds	Amount (€ million)	Uses of Funds	Amount (€ million)
Gross proceeds from the Offering	640.0	Purchase price for the Acquisition(3)	1,336.0
Shareholder Funding(1)	886.0	Repayment of the Refinanced Target Indebtedness(4)	291.5
Cash on Target's balance sheet(2)	179.1	Transaction fees and expenses(5)	28.5
		Cash funded to the Target's balance sheet(6)	49.1
Total Sources	**1,705.1**	**Total Uses**	**1,705.1**

(1) The Shareholder Funding comprises (i) an equity contribution by TopCo to the Issuer in the amount of €676.0 million (which includes the amount of a capital contribution to be made on or about the Acquisition Closing Date by the Issuer to the Target on behalf of certain members of management of the Target to pay the strike price for certain options held by such members of management in respect of the Target's existing management stock option plan) and (ii) a deeply subordinated shareholder loan by TopCo to the Issuer in the amount of €210.0 million, which represents the net proceeds from TopCo's private placement of the PIK Notes on or about the Acquisition Closing Date. See "*Description of Certain Financing Arrangements—PIK Notes*."

(2) Represents the amount of cash and cash equivalents on the Target's balance sheet as of March 31, 2020 that is expected to be used, together with a portion of the amounts made available under the Funding Loan, to repay in full and cancel the Refinanced Target Indebtedness on the Acquisition Closing Date. See also "*Capitalization*."

(3) Represents the estimated cash purchase price payable to the Sellers for the shares of the Target to be acquired under the Acquisition Agreement on the Acquisition Closing Date. This amount excludes deferred cash consideration of €20.0 million, which will be paid to the Sellers no later than 30 days following the Acquisition Closing Date, which we expect to be funded by funding sources then available to the Issuer and/or the Target Group. The purchase price for the Acquisition shown in the table above does not include amounts relating to (x) receivables from the partial of settlement of the litigation against Sicilia Digitale S.p.A. up to a maximum amount of €8.0 million as well as (y) certain additional receivables from the still-pending litigation against Sicilia Digitale S.p.A. up to a maximum amount of €5.9 million, each of which we expect to collect following the Acquisition Closing Date and have agreed under the Acquisition Agreement to pass on to the Sellers. See also "*Business—Legal Proceedings*." The purchase price for the Acquisition shown in the table above also excludes an additional amount of €33.1 million in respect of the strike price to be paid to the Target by the Issuer by way of a capital contribution on behalf of certain option holders pursuant to the Target's existing management stock option plan for the Target shares to be issued to such stock option holders immediately before completion of the Acquisition. Such capital contribution to the Target will be funded as part of the Shareholder Funding described above, and the proceeds of €33.1 million are included in the €49.1 million of cash that will be funded to the Target's balance sheet in connection with the Transactions. The total value of the cash purchase price payable on the Acquisition Closing Date may differ due to a number of factors, including the potential occurrence of certain leakages and other purchase price adjustments, as further described under "*Summary—The Transactions*." See also "*Risk Factors—Risks Related to the Transactions*" and "*Capitalization*."

(4) Represents the aggregate principal amount of Refinanced Target Indebtedness as of March 31, 2020, which we expect to repay in full and cancel on the Acquisition Closing Date using available cash on the Target's balance sheet as well as the proceeds from the Funding Loan. The principal amount of Refinanced Target Indebtedness shown in the table above excludes accrued and unpaid interest of €0.5 million as of March 31, 2020, and a *de minimis* amount of prepayment penalties. The principal amount of Refinanced Target Indebtedness as well as the amount of accrued and unpaid interest outstanding and payable on the Acquisition Closing Date may vary from the amounts outstanding and due on March 31, 2020. If the amount required to repay the Refinanced Target Indebtedness on the Acquisition Closing Date exceeds the estimated amount set forth in the table above, we expect to use a portion of the cash to be funded to the Target's balance sheet in connection with the Transactions to fund any shortfall in order to complete the Transactions. See also "*Capitalization*."

(5) Represents estimated fees and expenses that will be payable in connection with the Transactions, including legal and other advisor fees and transaction expenses (but excluding fees and expenses payable in connection with TopCo's private placement of the PIK Notes). The actual amount of fees and expenses payable on the Acquisition Closing Date may differ from the estimated amount shown in the table above. If the actual amount of fees and expenses payable on the Acquisition Closing Date exceeds the estimated amount set forth in the table above, the amount of cash to be funded to the Target's balance sheet will be reduced to fund any shortfall in order to complete the Transactions.

(6) Represents the estimated amount of cash that will be funded to the Target's balance sheet in connection with the Transactions, which will be used for general corporate purposes, including, among other things, funding future capital expenditures and acquisitions, the payment

of interest or the repayment of debt, including the Refinanced Target Indebtedness in the event the amount required to repay such indebtedness on the Acquisition Closing Date exceeds the estimated amount of Refinanced Target Indebtedness set forth in the table above. A portion of the cash to be funded to the Target's balance sheet will be provided to the Target by way of a capital contribution from the Issuer on behalf of certain members of management of the Target to fund the aggregate strike price amounts of €33.1 million in respect of the shares to be issued to such members of management pursuant to the Target's existing management stock option plan on the Acquisition Closing Date. See "*Capitalization*."

CAPITALIZATION

The following tables should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Description of Certain Financing Arrangements*" and the Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum.

The following table sets forth the consolidated cash and cash equivalents and the capitalization (i) of the Target on a historical basis, as of March 31, 2020 and (ii) of the Issuer as adjusted to give effect to the consummation of the Transactions, as if they had occurred on March 31, 2020. Amounts presented in the table below exclude capitalized debt issuance costs. Unless otherwise noted, the adjustments column does not give effect to movements in cash and cash equivalents or amounts borrowed or repaid after March 31, 2020. We believe that presenting the consolidated cash and cash equivalents and capitalization of the Issuer in this manner is the most meaningful way to present the financial position of the Issuer after giving effect to the Transactions as if they had occurred on March 31, 2020, given the Issuer is a holding company formed in connection with the Transactions with no revenue generating activities of its own and without any business operations, material assets or liabilities, other than those incurred in connection with its incorporation and the Transactions.

	As of March 31, 2020	
(€ million)	**Actual**	**As adjusted for the Transactions**
Cash and cash equivalents[(1)]	**252.0**	**49.1**
Revolving Credit Facility[(2)]	—	—
Notes offered hereby[(3)]	—	640.0
Thereof Fixed Rate Notes		
Thereof Floating Rate Notes		
Refinanced Target Indebtedness[(4)]	291.5	—
Rolled Target Indebtedness[(5)]	10.6	10.6
Total gross financial indebtedness (excluding leases)[(6)]	**302.1**	**650.6**
Shareholders' equity[(7)]	621.2	886.0
Total capitalization (excluding leases)[(8)]	**923.3**	**1,536.6**

(1) From time to time prior to the date of this Offering Memorandum, to support our working capital and other liquidity needs, we engaged in the sale of trade receivables from certain large customers on the basis of uncommitted framework factoring agreements, which is reflected in the amount of cash and cash equivalents as of March 31, 2020 set forth in the "actual" column above, as well as in the amount of cash and cash equivalents as of prior balance sheet dates set forth in our Financial Statements. As adjusted cash and cash equivalents reflects the cash and cash equivalents of the Group as of March 31, 2020 (x) adjusted to give effect to the receipt by the Issuer of the gross proceeds from the Offering (€640.0 million) and the Shareholder Funding (€886.0 million), the payment of the cash purchase price for the Acquisition (€1,336.0 million), the repayment of the Refinanced Target Indebtedness in the estimated amount of €291.5 million and the payment of estimated transaction fees and expenses (€28.5 million) in connection with the Transactions, in each case, as if they had occurred on March 31, 2020, (y) as further adjusted to (i) remove the estimated net positive impact of €59.3 million on our cash position as of March 31, 2020 from the sale of trade receivables we made prior to March 31, 2020 to reflect our estimated cash position as if we had not sold any trade receivables prior to such date and (ii) remove the amount of cash for R&D grants collected on behalf of our partners during the three months ended March 31, 2020 (€13.6 million). As adjusted cash and cash equivalents has not been adjusted for the deferred cash consideration of €20.0 million, which we will pay to the Sellers no later than 30 days following the Acquisition Closing Date, and which we expect to be funded by funding sources then available to the Issuer and/or the Target Group. Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs. As a result, our cash and cash equivalents as of the Issue Date and the Acquisition Closing Date, or as of any future date, may vary from the amount of cash and cash equivalents shown in the table above. In addition, from time to time, we also collect cash for R&D grants on behalf of our partners which is reflected in the amount of cash and cash equivalents as of March 31, 2020, as set forth in the "actual" column above as well as in the amount of cash and cash equivalents as of prior balance sheet dates set forth in our Financial Statements. For further information, see "*Summary—Recent Developments—Recent Trading*."

(2) Represents the €160.0 million Revolving Credit Facility to be entered into on or about the Issue Date. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." We currently expect the Revolving Credit Facility to be undrawn on the Acquisition Closing Date.

(3) Represents the aggregate principal amount of the Notes offered hereby.

(4) Represents the principal amount of the Refinanced Target Indebtedness, which we expect to repay in full in connection with the Transactions. Amounts shown exclude accrued and unpaid interest of €0.5 million as of March 31, 2020, and a *de minimis* amount of prepayment penalties.

(5) Represents the principal amount of Rolled Target Indebtedness, which we expect to remain outstanding following the Acquisition Closing Date, including cash management facilities, local overdraft facilities and bilateral lines of credit. In addition, on or after the Acquisition Closing Date, we expect to enter into a facilities agreement with Banco BPM S.p.A. which would provide for term loans in an aggregate principal amount of €30.0 million. See "*Description of Certain Financing Arrangements—Rolled Target Indebtedness*."

(6) Represents the principal amount of the financial indebtedness of the Target Group excluding, in each case as of March 31, 2020, (x) certain other financial liabilities of the Target Group that do not constitute indebtedness in the amount of €33.2 million, primarily relating to payables to our partners in respect of research and development grants that we have collected on their behalf (€13.6 million) as well as earn-outs payable in connection with previous acquisitions (€18.5 million), (y) lease liabilities under IFRS 16 in the amount of €171.2 million and (z) non-current liabilities pursuant to the contractual arrangements with the non-controlling shareholders of certain of our subsidiaries, which may require us to purchase shares at predetermined prices under certain put and call options, and which amounted to €37.2 million.

(7) As adjusted shareholders' equity represents the amount of equity and deeply subordinated shareholder funding provided to the Issuer by TopCo in connection with the Transactions. See "*Use of Proceeds*."

(8) Represents Total gross financial indebtedness (excluding leases) *plus* Shareholders' Equity.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set selected consolidated financial information of the Target for the periods ended and as of the dates indicated below. The historical consolidated financial information of the Target set forth below as of and for the year ended (i) December 31, 2017 has been derived from the comparative column in the consolidated financial statements of the Target as of and for the year ended December 31, 2018, (ii) December 31, 2018 has been derived from the consolidated financial statements of the Target as of and for the year ended December 31, 2018 and (iii) December 31, 2019 has been derived from the consolidated financial statements of the Target as of and for the year ended December 31, 2019, which are, in each case, included elsewhere in this Offering Memorandum. The historical consolidated financial information and other data as of March 31, 2020 and for the three month periods ended March 31, 2019 and 2020 has been derived from the unaudited interim condensed consolidated financial statements of the Target as of and for the three month period ended March 31, 2020, which are included elsewhere in this Offering Memorandum, unless otherwise stated.

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements including the notes thereto included elsewhere in this Offering Memorandum. Our historical results do not necessarily indicate results that may be expected for any future period.

Selected Consolidated Income Statement Information

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
(in € million)	**2017***	**2018**	**2019**	**2019****	**2020****	**2020****
Revenues	1,001.8	1,154.9	1,250.9	292.1	302.0	1,260.8
Other revenues	27.0	25.4	23.1	6.6	8.7	25.2
Total Revenues	**1,028.8**	**1,180.3**	**1,274.0**	**298.7**	**310.7**	**1,286.0**
Raw materials and consumables	16.3	20.1	33.7	5.6	15.1	43.2
Service costs	367.4	421.9	425.3	100.2	94.2	419.3
Personnel costs	518.9	589.0	639.9	159.6	168.4	648.7
Amortization and depreciation	34.0	43.5	60.3	13.3	14.7	61.7
Provisions	19.1	15.8	39.5	(0.1)	1.4	40.0
Other costs	12.7	12.0	14.1	2.9	2.5	13.7
Total operating expenses	**968.4**	**1,102.3**	**1,212.8**	**281.4**	**296.3**	**1,227.6**
Operating profit	**60.3**	**78.0**	**61.2**	**17.2**	**14.5**	**58.4**
Financial income	10.3	15.6	8.4	1.1	1.6	8.9
Financial expenses	15.8	12.0	10.9	2.6	5.6	13.9
Net financial income / (expenses)	**(5.5)**	**3.7**	**(2.5)**	**(1.5)**	**(4.0)**	**(5.0)**
Total income / (expenses) from investments	**(1.0)**	**(0.0)**	**3.2**	**0.0**	**0.0**	**3.2**
Profit before taxes	**53.9**	**81.7**	**61.9**	**15.7**	**10.5**	**56.6**
Income taxes	4.8	24.0	18.1	3.7	2.2	16.7
Profit from continuing operations	**49.0**	**57.7**	**43.8**	**12.1**	**8.2**	**39.9**
Consolidated profit	**49.0**	**57.7**	**43.8**	**12.1**	**8.2**	**39.9**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

Selected Consolidated Statement of Financial Position

(in € million)	As of December 31, 2017*	2018	2019	As of March 31, 2020**
Non-current assets				
Property, plant equipment	38.3	37.5	29.8	28.7
Intangible assets	569.3	545.3	533.5	528.2
Rights of use	—	—	173.4	169.1
Goodwill	60.8	67.4	107.9	112.5
Equity investments	0.2	—	—	—
Deferred tax assets	32.3	23.2	24.9	25.1
Other non-current assets	5.8	5.6	5.8	5.8
Total non-current assets	706.6	**679.0**	**875.3**	**869.4**
Current assets				
Inventory	0.2	—	0.1	0.1
Customer contract assets	150.3	167.4	200.8	219.0
Deferred contract costs	0	23.3	22.2	21.19
Trade receivables	550.8	568.1	590.5	528.1
Other current assets	72.6	60.3	52.0	53.1
Cash and cash equivalents	207.0	177.5	191.9	252.0
Total current assets	**981.0**	**996.7**	**1,057.5**	**1,073.4**
Total assets	**1,687.6**	**1,675.7**	**1,932.7**	**1,942.8**
Shareholders' equity				
Share capital	31.9	31.9	31.9	31.9
Reserves	511.2	497.3	498.2	501.3
Retained earnings	(10.0)	26.8	35.1	85.9
Profit for the year	47.7	55.2	51.9	8.0
Group shareholders' equity	**580.8**	**611.1**	**617.1**	**627.1**
Capital and reserves of non-controlling interests	2.4	2.2	2.0	(6.1)
Profit/(loss) for the year of non-controlling interests	1.3	2.5	(8.1)	0.2
Total shareholders' equity	**584.5**	**615.8**	**611.0**	**621.2**
Non-current liabilities				
Non-current financial liabilities	—	—	197.5	188.0
Non-current borrowings	232.4	177.9	—	—
Non-current lease liabilities	—	—	154.1	146.7
Deferred tax liabilities	174.7	167.6	162.9	159.4
Non-current provisions for risks and charges	3.9	4.0	4.7	3.6
Other non-current liabilities	13.1	37.5	39.0	39.6
Post-employment benefits	67.7	69.8	74.4	74.1
Total non-current liabilities	**491.8**	**456.8**	**632.6**	**611.4**
Current liabilities				
Current financial liabilities	—	—	108.1	147.2
Current borrowings	115.4	74.1	—	—
Current lease liabilities	—	—	20.7	24.5
Current tax payables	4.3	4.1	5.5	7.0
Current provisions for risks and charges	20.3	17.1	15.1	13.4
Other current liabilities	153.3	170.1	172.2	154.0
Total payables	318.1	337.6	367.5	364.1
Total current liabilities	**611.3**	**603.0**	**689.2**	**710.2**
Total liabilities	**1,103.1**	**1,059.9**	**1,321.7**	**1,321.6**
Total liabilities and shareholders' equity	**1,687.6**	**1,675.7**	**1,932.7**	**1,942.8**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

Selected Consolidated Cash Flow Statement Information

(in € million)	Year Ended December 31, 2017	2018	2019	Three Months Ended March 31, 2019	2020
Cash collected from the sale of products/services – third parties	1,215.4	1,234.9	1,365.6	326.2	370.8
Cash paid for goods/services – third parties	(492.1)	(508.8)	(572.4)	(166.7)	(147.1)
Personnel costs	(537.6)	(585.4)	(644.8)	(162.4)	(170.7)
Interest received	0.3	0.4	0	0	0
Interest paid for operating activities	(0.4)	(0.4)	(0.3)	0	0
Exchange differences	0	0	0	0	(0.4)
Income tax payments and reimbursements	(97.0)	(48.3)	(61.8)	(18.9)	(10.5)
Total cash flow from operating activities	**88.6**	**92.3**	**86.4**	**(21.9)**	**42.0**
Sale of property, plant and equipment	0.2	0.2	0.3	0	0.4
Purchase of property, plant and equipment	(8.0)	(8.6)	(7.2)	(2.7)	(1.9)
Sale of intangible assets	0	0			
Purchase of intangible assets	(3.1)	(2.5)	(5.9)	(1.5)	(2.9)
Consideration paid for acquisition of the business	(81.3)	(13.0)	(31.1)	(5.2)	(2.8)
Disposal of subsidiaries	0	0.3	0		
Purchase of business unit	(2.4)	(1.2)			
Sale of business unit	0	0			
Purchase of other investment and securities	(0.5)	(0.9)	(0.3)		
Sale of other investment and securities	0	0.5	0.3		
Dividends received	1.6	0.1	0		
Total cash flow from investing activities	**(93.4)**	**(25.1)**	**(43.8)**	**(9.3)**	**(7.2)**
New loans	299.1	63.4	92.2	28.0	81.0
Repayment of loans	(393.0)	(155.3)	(57.8)	(18.9)	(50.3)
Sale of treasury shares	0.4				
Dividends distributed	(2.3)	(2.1)	(39.7)		
Acquisition of non-controlling interest	0	0	(3.2)		
Interest received for financing activities	0	0.2			
Interest paid for financing activities	(4.8)	(3.0)	(4.0)	(0.4)	(0.5)
Repayment of lease liabilities			(16.0)	(0.3)	(4.8)
Total cash flow from financing activities	**(100.4)**	**(96.7)**	**(28.5)**	**8.5**	**25.3**
Change in cash and cash equivalents	**(105.2)**	**(29.5)**	**14.1**	**(22.7)**	**60.1**
Cash and cash equivalents at the beginning of year	**312.2**	**207.0**	**177.5**	**177.5**	**191.9**
Cash and cash equivalents from merger			**0.3**		
Cash and cash equivalents at end of year	**207.0**	**177.5**	**191.9**	**154.8**	**252.0**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were restated to reflect the completion of purchase price allocation to goodwill and net identifiable assets acquired in relation to a certain business combination that occurred in 2017, and were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

** Unaudited.

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

The discussion and analysis below provides information that we believe is relevant to an assessment and understanding of our historical consolidated financial position and results of operations. You should read this discussion in conjunction with our Financial Statements included elsewhere herein and the sections entitled "Presentation of Financial and Other Information" and "Selected Historical Financial Information."

This section includes forward-looking statements, including those concerning future sales, costs, capital expenditures, acquisitions and financial condition. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Results of operations for prior years are not necessarily indicative of the results to be expected for the full year or any future period. See "Forward-Looking Statements" and "Risk Factors."

The following discussion of our results of operations also makes reference to certain Non-IFRS Measures, including organic revenue growth, Adjusted EBITDA, Adjusted EBITDA Margin, capital expenditure, cash conversion, net working capital, adjusted net working capital and free operating cash flow. Prospective investors should bear in mind that these Non-IFRS Measures are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. See "Presentation of Financial and Other Information—Non-IFRS Measures" and "Selected Historical Financial Information."

Overview

We are the leading specialist provider of IT services, software and digital solutions in Italy, with a market share of approximately 10% in Implementation and 7% in Application Managed Services, in each case calculated in terms of U.S. dollars and revenue, in 2019, according to Gartner (Gartner, Market Share: IT Services Worldwide 2019, April 2020). We provide a holistic suite of leading software and digital solutions to more than 1,700 corporate and public administration customers and focus on supporting our customers in digital transformation projects. We couple new and advanced digital enabling capabilities, including artificial intelligence ("AI") and advanced analytics, cloud-based services, cybersecurity, IoT, robotic process automation, AR / MR / VR, blockchain and digital twin platforms, with a strong know-how of traditional technological solutions and an intimate knowledge of our broad client base's core processes. In the year ended December 31, 2019, 54% of our revenue-generating projects incorporated digital enabling technologies. For the twelve months ended March 31, 2020, we generated revenues of €1,260.8 million, consolidated profit of €39.9 million, and Adjusted EBITDA of €182.4 million.

Our Industry Verticals and Activities

In our audited consolidated financial statements for the year ended December 31, 2019, for the first time, we reported our results across six industry verticals in accordance with IFRS 8 (*Operating Segments*) as follows: (i) Finance, (ii) Health, (iii) Industry & Services, (iv) Telco & Media, (v) Energy & Utilities, and (vi) Public Administration. For purposes of this Offering Memorandum and to enhance comparability of the results of our industry verticals among all the periods under review, we have also presented our results across these six industry verticals for the periods prior to the year ended December 31, 2019. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities*."

Our Finance industry vertical comprises services to banks, insurance companies and financial institutions in Italy. Our Health industry vertical comprises services to public and private operators operating in the healthcare sector, including hospitals. Through our Industry & Services industry vertical we serve large and medium-sized corporations in Italy operating in various industries, including the retail, fashion, manufacturing, and process agriculture industries, as well as public and private operators in the transportation sector in Italy. Our Telco & Media industry vertical comprises services to customers in the telecommunications industry as well as media services. Our Energy & Utilities industry vertical comprises services to customers in the energy industry as well as utilities. Lastly, through our Public Administration industry vertical we serve central and local public administration customers.

Commencing with the year beginning January 1, 2019, we also started to report our results by the type of activities through which we offer our IT services, software and digital platforms to our customers: Proprietary Solutions, Application Transformation and Managed Services.

The activities we conduct in relation to our Proprietary Solutions cover a wide range of industry-specific, innovative vertical software and digital solutions as well as professional services directly related to such software and solutions for which we retain exclusive ownership and which we make available to our customers on the basis of individually negotiated licensing and subscription agreements. The activities we conduct in relation to Application Transformation include the development and customization of advanced digital enabling solutions using cybersecurity, AI, AR, big data analytics and IoT technologies, and we support, maintain and update third party applications and carry out project-based system integration activity in cooperation with our customers and software providers. Our Managed Services comprise activities related to the day-to-day management and operation of the end-to-end infrastructure of our customers. See "*Business—Our Business—Activities*."

Key Factors Affecting Results of Operations and Financial Condition

Our results of operations are affected by a combination of factors, including factors which are beyond our control. We believe that our results of operations, and particularly the results of operations during the periods under review, have been primarily affected by the following factors.

High Customer Retention Rate and Recurring Contracted Revenues

We have historically generated a large proportion of our revenues from sources that we consider recurring and from customers with whom we have developed and maintained long-term, strategic relationships. We deem revenues to be recurring if we expect to generate such revenues in one or more of the following years, either based on specific contractual arrangements or our past experience, such as revenue generated by existing customers seeking new products or services and long-term management or service agreements with customers for whom we have implemented proprietary or customized software solutions.

We primarily generate recurring revenues from the activities we conduct in relation to our Proprietary Solutions due to the significant customization of our products and services, which we often develop in close cooperation with our customers, resulting in low churn rate and high levels of contract renewals. Typically, the activities we conduct with respect to our Proprietary Solutions relate to software products and digital solutions for which we retain exclusive ownership and which we make available to our customers on the basis of individually negotiated licensing and subscription agreements. Although the fee structure under these agreements varies slightly across industry verticals, our customers are usually required to pay one off upfront fees for the software license upon installation in addition to a quarterly or yearly fee for customized maintenance services.

In line with our strategy to enhance our offering of Proprietary Solutions and increase the share of recurring revenues generated from related activities, we are planning to roll out a full subscription fee model for both the use and maintenance of our licenses to certain of our customers, mainly in our Energy & Utility industry vertical, which we believe will reduce the amount of any one-off upfront payments and increase the amount of recurring payments over the duration of the relevant license contract.

The recurring and stable nature of our revenue is supported by long-term contracts and, more generally, by the long-term, strategic relationships we have with some of our key customers. In particular, our top ten customers by revenue in 2019 have been with us for more than ten years, and generated 34% of our revenues in 2019. We believe that the loyalty of our customers is due to their satisfaction with the quality of our products and services, our deep knowledge of complex IT systems and the core processes of our customers and the high costs required to switch IT service providers. In particular, most of our products developed as part of the activities we conduct in relation to Proprietary Solutions, which accounted for approximately 45% of our revenue in the year ended December 31, 2019, are highly customized and deeply integrated into our end-customers' IT systems as a result of which their replacement would typically be a complicated, time-consuming and expensive process.

Sales Mix across Activities and Industry Verticals

Our results of operations are affected by the mix of sales of the products and services that we offer to our customers across our different activity types and industry verticals through one integrated platform.

Sales Mix across Activities

We offer IT services, software and digital platforms to our customers through three distinct types of activities: Proprietary Solutions, Application Transformation and Managed Services, which we operate across all of our six industry verticals. We started reporting our results by these three types of activities from January 1, 2019.

The following table includes a breakdown of our revenues by activity type for the year ended December 31, 2019:

(in € million)	**Year Ended December 31, 2019***
Proprietary Solutions	531.2
Application Transformation	518.3
Managed Services	142.0

* Financial data regarding our activity types has not been audited or reviewed. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*" Calculated on the basis of revenues excluding €59.4 million of Group revenues unallocated by activity.

We typically achieve comparably higher margins from sales generated through the activities relating to our Proprietary Solutions primarily due to the significant customization and the highly specialized nature of our products and services as well as their integration into our end-customers' IT systems, which enables us to charge our customers for the high added value of such products and services and often results in long-term customer relationships and low churn rates. In the year ended December 31, 2019, we generated 28% of the revenue related to our Proprietary Solutions in our Finance Industry vertical, 23% of the revenue related to our Proprietary Solutions in our Energy & Utilities industry vertical, 17% of the revenue related to our Proprietary Solutions in our Public Administration industry vertical, 14% of the revenue related to our Proprietary Solutions in our Health industry vertical, 13% of the revenue related to our Proprietary Solutions in our Telco & Media industry vertical and 6% of the revenue related to our Proprietary Solutions in our Industry & Services industry vertical.

The margins we achieve from sales generated through the activities relating to Application Transformation, while typically lower than those we achieve from sales generated through activities related to our Proprietary Solutions, are higher than those we generate from the activities we conduct in relation to our Managed Services due to the level of customization that we build into third party applications and client-owned applications as well as the know-how and industry expertise that we utilize to provide the relevant updates to, maintenance of and support for such applications. In the year ended December 31, 2019, we generated 16% of the revenue related to our Application Transformation in our Finance Industry vertical, 6% of the revenue related to our Application Transformation in our Energy & Utilities industry vertical, 21% of the revenue related to our Application Transformation in our Public Administration industry vertical, 1% of the revenue related to our Application Transformation in our Health industry vertical, 19% of the revenue related to our Application Transformation in our Telco & Media industry vertical and approximately 36% of the revenue related to our Application Transformation in our Industry & Services industry vertical.

We typically achieve comparably lower margins from sales generated through the activities relating to our Managed Services, because the Managed Services products we provide, such as day-to-day management and operation of end-to-end processes and infrastructures, are widely available from other IT services providers in our market. However, the profitability of the activities we conduct with respect to our Managed Services is primarily driven by our ability to offer a complete range of products and services to our customers from an integrated platform coupled with our know-how and industry expertise, on the back of long-term contracts. In the year ended December 31, 2019, we generated approximately 22% of the revenue related to our Managed Services in our Finance Industry vertical, approximately 11% of the revenue related to our Managed Services in our Energy & Utilities industry vertical, approximately 22% of the revenue related to our Managed Services in our Public Administration industry vertical, approximately 1% of the revenue related to our Managed Services in our Health industry vertical, approximately 12% of the revenue related to our Managed Services in our Telco & Media industry vertical and approximately 32% of the revenue related to our Managed Services in our Industry & Services industry vertical.

Sales Mix across Industry Verticals

Starting from January 1, 2019, we report our results across six industry verticals as follows: (i) Finance, (ii) Health, (iii) Industry & Services, (iv) Telco & Media, (v) Energy & Utilities and (vi) Public Administration, in accordance with IFRS 8 (*Operating Segments*). Revenue generation in each industry vertical is characterized both by industry vertical-specific demand drivers as well as, especially in recent years, an increased demand for digitalization products and services and an accelerating move towards the cloud, which is common to all industry verticals.

The following table includes a breakdown of our revenues and Adjusted EBITDA by industry vertical for the periods indicated.

(in € million)	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2017	2018	2019	2019	2020	2020
Revenues	**1,001.8**	**1,154.9**	**1,250.9**	**292.1**	**302.0**	**1,260.8**
Finance	158.2	239.7	274.6	59.4	68.0	283.2
Health	58.4	63.9	70.4	15.3	18.8	73.9
Industry & Services	234.4	253.0	280.2	68.6	69.0	280.6
Telco & Media	155.5	181.5	160.0	43.8	34.1	150.3
Energy & Utilities	160.9	183.3	198.0	45.2	47.9	200.7
Public Administration	234.3	233.6	267.6	59.8	64.2	272.0
Adjusted EBITDA**	**122.9**	**147.2**	**180.0**	**33.2**	**35.6**	**182.4**
Finance	32.7	49.8	60.8	12.5	13.2	61.5
Health	11.0	10.8	12.6	1.8	4.0	14.8
Industry & Services	17.0	17.9	23.5	5.3	5.2	23.4
Telco & Media	18.0	16.3	19.8	3.8	2.7	18.7
Energy & Utilities	22.0	27.0	28.2	3.4	5.1	29.9
Public Administration	22.2	25.4	35.1	6.4	5.4	34.1

(a) Our Adjusted EBITDA for the year ended December 31, 2019, the three month periods ended March 31, 2019 and 2020 and the twelve months ended March 31, 2020 presented in this table reflect the application of IFRS 16, whereas comparative figures for the years ended December 31, 2017 and 2018 reflect our Adjusted EBITDA prior to the implementation of IFRS 16. Accordingly, such figures are not directly comparable and investors should exercise caution when comparing our Adjusted EBITDA among these periods. See "*Presentation of Financial and Other Information.*"

In the Finance industry vertical, demand for our products and services is primarily driven by evolving regulatory standards, such as the implementation of the GDPR, our customers' increasing focus on the use of digital technologies to redesign and optimize back office processes, higher demand for remote work and surveillance tools, increasing sales digitalization as well as higher demand from customers in the growing fintech industry. We historically generated comparably higher Adjusted EBITDA margins from sales through our Finance industry vertical reflecting the high share of Proprietary Solutions that we offer within the Finance vertical as well as our market leading positions across this industry vertical.

In the Health industry vertical, demand for our products and services is primarily driven by the need for customers operating in the healthcare industry to modernize their IT systems and infrastructures, govern data processing and design digital clinical pathways, often leveraging digital enabling technologies as well as data management platforms, as seen in the recent COVID-19 pandemic. We have historically generated comparably higher Adjusted EBITDA margins from sales through our Health industry vertical, reflecting our leading market positions in this industry vertical, the highly regulated nature of the healthcare sector generally, which results in high barriers to entry for new competitors, and the large share of high margin Proprietary Solutions that we offer in this sector.

In the Public Administration industry vertical, demand for our products and services is primarily driven by the need for public administration entities to digitalize the relationship between citizens and public authorities and modernize and enhance their IT systems and infrastructures, remote working capabilities, as well as their data analytics capabilities to serve increasing volumes and manage procedures more efficiently, and the increased focus on smart cities and smart mobility. We have historically generated average Adjusted EBITDA margins from sales through our Public Administration industry vertical, as compared to our other industry verticals, reflecting the highly regulated nature of the public sector generally, which results in high barriers to entry for new competitors, and the average share of Proprietary Solutions that we offer in this sector.

In the Industry & Services industry vertical, demand for our products and services is primarily driven by higher demand for digital enabling technologies such as IoT and cybersecurity, cloud based services and big data, which are at the center of the so-called Industry 4.0 revolution. In addition, as a result of the COVID-19 pandemic, we have experienced an increased demand for business continuity, remote work communication tools and tools to secure social distancing and worker health and safety across all sectors in our Industry & Services industry vertical. We believe that customers in our Industry & Services industry vertical, and in particular, customers in the travel, retail and manufacturing sectors, will need to increase their investments in digital enabling technologies in order to safely allow their workforce to return to work as well as to stay competitive in the long term. We historically generated comparably lower Adjusted EBITDA margins from sales through our Industry & Services industry vertical due to the lower share of Proprietary Solutions as compared to the higher share of Managed Services that we offer in this industry vertical.

In the Telco & Media industry vertical, demand for our products and services is primarily driven by the digital development that operators in the industry are undergoing in order to protect their existing business and find new revenue streams, trends in the mobile payment business in Italy, increasing demand for remote work and communication tools, the use of IoT capabilities in network infrastructure work as well as the trend in using digitalization for marketing and retention purposes. In the periods under review, revenues from our Telco & Media industry vertical have been driven to a large extent by sales volumes generated from our mobile payment offerings, including *Mobile VAS*, a platform for in-cloud management services enabling mobile operators to sell value-added products and services to their subscribers. Revenues generated in our Telco & Media industry vertical declined in the year ended December 31, 2019 and in the three months ended March 31, 2020 primarily due to the significant reduction in volumes of mobile payments resulting from restrictions imposed by the competent Italian authorities on the use of services through the *Mobile VAS* platform by such mobile operators. We historically generated comparably lower Adjusted EBITDA margins from sales through our Telco & Utilities industry vertical due to the significant pricing pressure in this industry vertical as well as our below average share of Proprietary Solutions.

In the Energy & Utilities industry vertical, demand for our products and services is primarily driven by smart energy initiatives, which include automation, smart metering and IoT, AR / MR / VR for field services as well as increasing demand for our *Net@Suite* and *Geocall* proprietary solutions. We historically generated comparably average Adjusted EBITDA margins from sales through our Energy & Utilities industry vertical.

Increased Demand for Digitalization Products and Services

Our results of operations during the periods under review were affected by increasing demand for digitalization products and services, with the share of our revenue generated by digital enabling technologies totaling approximately 54% in the year ended December 31, 2019. During the periods under review, digitalization increased across all our activities and industry verticals, and was particularly driven by increased and more complex regulation of our customers across several of our industry verticals, and the development and advancement of new technologies such as cloud-based systems, as well as data management, AI and cybersecurity tools and services. In addition, the recent outbreak of the COVID-19 pandemic has resulted in increased demand for digitalization products and services, especially from customers in the public sector, as they have been forced to turn to remote working and cloud-based solutions to run their operations.

In recent years, the implementation of several Italian and European governmental and regulatory changes aimed at increasing the use of digital solutions has further increased our customers' demand for digitalization products and services. Such regulatory changes include: (i) the Italian Revenue Agency's (*Agenzia delle Entrate*) introduction of *Entratel*, mandatory electronic billing and filing software for all businesses operating in Italy, in 2017, (ii) the European Commission's introduction of GDPR in 2018, which obligates European Union-based companies or companies that process personal data about European Union subjects to comply with various new data protection rules by implementing 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, (iii) the introduction of the Family Unit Allowance (*Assegni Nucleo Familiare*) in 2019, a regulation mandating that all employee benefits be paid electronically, and (iv) the introduction of *Nodo Smistamento Ordini* in 2019, a regulation mandating that all Italian national healthcare service providers submit their purchase orders electronically.

Acquisitions

Historically, value accretive acquisitions of attractive IT services assets have been a significant driver of both organic and non-organic growth in our operations, breadth of product and service offerings, geographic scale and revenue and profit margin. Between January 2017 and March 31, 2020, we completed 21 acquisitions. Accordingly, our results for future periods will not be directly comparable to past periods because of the large volume of acquisition activity that we have undertaken.

The following table provides an overview of key acquisitions during the years ended December 31, 2017, 2018 and 2019, as well as the three months ended March 31, 2020:

Target	Month and year of Acquisition	Net sales at acquisition*
FDL Servizi S.r.l.	February, 2020	€1.5 million
Municipia Mobilità S.r.l. (previously known as Kiunsys S.r.l.)	January, 2019	€2.3 million
Cybertech S.r.l (previously known as OmnitechIT S.r.l.)	February, 2019	€28.0 million
Digitelematica S.r.l.	July, 2019	€1.0 million
Deus Technology S.r.l.	September, 2019	€5.4 million
INF.OR. S.r.l.	May, 2018	€2.5 million
Engineering USA, Inc. (previously known as Hyla Soft Inc.)	September, 2017	$13.3 million
Sogeit Solutions S.r.l.	July, 2017	€8.7 million
Infogroup S.p.A.	December, 2017	€70.0 million

* *Represents the amount of net sales reported by each target company in their last audited financial statements prior to being acquired by the Group.*

Historically, we have funded our acquisitions primarily with cash from operations. In the years ended December 31, 2017, 2018 and 2019, and the three months ended March 31, 2020 we spent €83.7 million, €14.2 million and €31.1 million, and €2.8 million, respectively, as consideration paid for acquisitions of other businesses.

We believe our historical acquisition strategy has successfully increased our number of customers and enabled us to expand our business to new market segments and a larger geographic area, while also completing our product and service offerings which we can then offer to our existing and new customers. Through the acquisition of Infogroup in 2017, a company specialized in IT services for the financial industry, we were able to grow our Finance industry vertical and offer Managed Services to our customers in that industry vertical. Our acquisition of Sogeit Solutions S.r.l. in 2017, a company specialized in solutions for the telecommunications, media, energy and utility markets, allowed us to increase our overall volume as well as our share of Proprietary Solutions in our Telco & Media industry vertical. Through our acquisition of Engineering USA, Inc. in 2017, we were able to expand our operations into the United States and acquire capabilities in the product lifecycle management space. In addition, our acquisition of INF.OR. S.r.l. in 2018, a company specialized in application software for local entities, especially in the management of financial resources, enabled us to increase our customer portfolio in the Public Administration industry vertical by supporting municipalities in their digitalization. Our acquisition of Deus Technology in 2019, a fintech company specializing in wealth management, allowed us to expand our offerings within our Finance industry vertical to include wealth management fintech solutions. Moreover, our acquisition of Cybertech Group in 2019, which controls a group of companies specializing in cyber security technology, allowed us to significantly expand our cybersecurity offerings across all six of our industry verticals. In addition, the acquisition of Municipia Mobilità S.r.l., a company specializing in the development of smart mobility solutions, in 2019, enabled us to consolidate our position as one of the leaders in the market of collection and evasion research and recovery services. The acquisition of Digitelematica S.r.l., a software developer that creates solutions for the online ordering from supermarkets and hypermarkets, in 2019, allowed us to expand our web and mobile applications offering to the online retail market. In 2019, we also acquired Cloudesire, a one-stop-shop for service configuration, orchestration, metering, purchasing, billing and provisioning of cloud services. Most recently, with the acquisition of FDL Servizi S.r.l., a company providing software for smart grid-management, in 2020, we further expanded our presence in our Energy & Utilities and Public Administration industry verticals, while increasing the share of Proprietary Solutions.

We believe that the acquisitions we made in the periods under review have generated synergies for our business and have contributed to our organic growth. Such acquisitions have given us, for example, the ability to cross-sell the new products and services we acquired to our existing customer base (e.g., Infogroup, Deus Technology, INF.OR and Municipia Mobilità) and to complete our product and service offering. Once the acquired business is fully integrated in our business, we aim to increase its volumes of operations leveraging our integrated platform.

In the future, we intend to continue to grow our business, and in particular our Proprietary Solutions portfolio, through disciplined strategic bolt-on acquisitions of specialized IT services providers in order to add complimentary technology and products to our portfolio as well as to enlarge our customer base and expand internationally. See also "*Business—Our Strategies—Continue to pursue targeted and opportunistic acquisitions to expand capabilities and grow the business.*"

Investments in Research and Innovation and Capital Expenditures

To maintain our competitive position, we continuously invest in research and innovation and work to create new products and integrate the results of our research into our digital-enabling technologies and competences with an aim to continuously improve our IT solution offerings across all of our industry verticals. In particular, are currently involved in more than 70 research projects. We invested approximately €27 million in 2019 in R&D, we fund six development labs and maintain over 40 global university partnerships and have strategic alliances with our global research partner ecosystem, which includes universities, research centers, technology companies and end-user companies. We typically capitalize the costs related to the development of a new software or digital platform as an intangible asset and amortize it over the useful life of the product (between three to six years). In addition, we typically capitalize expenses for substantial updates to our existing product portfolio and add them to the original cost of the underlying software or platform. Additionally, we generally expense development costs that improve product performance or that are related to product upgrades as a result of regulatory requirements in the projects that we create for our customers during the period in which they are incurred.

Our business is characterized by low levels of recurring capital expenditures in line with the industry in which we operate. Our capital expenditures for the periods under review primarily related to investments in our data centers. We incurred €11.1 million, €11.1 million, €13.1 million and €4.7 million of capital expenditures in the years ended December 31, 2017, 2018 and 2019 and in the three months ended March 31, 2020, respectively, representing 1.1%, 1.0%, 1.0% and 1.5% of our revenues, respectively. For further information, see "*—Capital expenditures*."

Our Cost Structure and Cost Saving Initiatives

Our cost structure is partially fixed. In the years ended December 31, 2017, 2018 and 2019 and in the twelve months ended March 31, 2020, fixed costs accounted for 60%, 60%, 59% and 59% of our total operating expenses, respectively. Personnel expenses, which represented 54%, 53%, 53% and 53% of our total operating expenses in the years ended December 31, 2017, 2018 and 2019 and in the twelve months ended March 31, 2020, is the largest part of our cost structure and is largely fixed due to our reliance on our skilled workforce to run our business, other than a small portion relating to variable compensation and travel expenses. Other key fixed costs include rents and leases. The majority of our variable and discretionary costs is represented by costs incurred to pay for external consultants (approximately 3,000 in the year ended December 31, 2019) that we use to manage peaks of demand from customers and which increase the flexibility of our cost structure. We account for these costs as service costs in our income statement.

To further support our resilient business model and increase our margins, we launched a number of cost saving initiatives starting from 2017 in order to streamline our operations and achieve annual run-rate cost savings, including management of vendors' rates, workforce optimization measures such as the near-shoring of approximately 200 full-time (as at December 31, 2019) employees to Serbia, as well as other cost-saving initiatives regarding for example the reduction of travel expenses. To further increase our operational efficiency going forward, we plan to continue focusing on such cost-savings initiatives, with a particular focus on workforce optimization measures, including the continued near-shoring to Serbia of an increasing share of our full-time employees. See "*Summary—Our Strategies—Increase profitability and cash generation*."

Accounts Receivable, Days Sales Outstanding ("DSO") and Amounts Overdue

We generally issue invoices to our customers on a monthly basis and they are generally required to pay us within 60 days from receipt of the relevant invoice. While we believe our typical payment terms are consistent with those of our peers, from time to time, in the ordinary course of business, we carry significant accounts receivable on our balance sheet from customers that generate a large portion of our revenues. The lengths of payment terms for services rendered vary across our different industry verticals as well as the type of customer we serve. In particular, our public sector clients typically have longer payment terms (averaging approximately 280 days) than our private sector clients (averaging about 190 days). Excluding the effect of non-recourse sales of receivables, our average DSOs in trade receivables in the twelve months ended March 31, 2020, and for the years ended December 31, 2019, 2018 and 2017, was approximately 222, 239, 230 and 251 days, respectively. As of December 31, 2019, our overdue trade receivables from private and public sector customers amounted to €77.4 million (of which €37.2 million were due from Sicilia Digitale S.p.A. and Regione Sicilia) and €110.6 million, respectively.

We mainly experience overdue receivables from our public sector customers within our Health and Public Administration industry verticals, which is a common characteristic of commercial relationships between public entities and their private counterparts in Italy. Historically, the level of overdue receivables from customers in our Public Administration industry vertical often comprised 50% or more of the total amount of receivables due from our Public Administration customers. Additionally, customers within our Health industry vertical have the largest proportion of receivables that have been overdue for more than 120 days. Public sector-related customers sometimes follow payment management processes that are subject to review by other government authorities or other entities, which may cause delays or adjustments to their own payment schedules. Overdue receivables from our private sector customers occur primarily within our Industry & Services industry vertical, followed by our Finance, Energy & Utilities and Telco & Media industry verticals and mainly relate to small- to medium-sized enterprises.

Delays in payments by our largest customers, requests for modifications to their contractual payment arrangements or defaults on their payment obligations to us could affect our cash flow and results of operations. For example, as of the date of the Offering Memorandum, we are involved, through our controlled subsidiary, SISEV, in two disputes against Sicilia Digitale S.p.A. and Regione Sicilia for total unpaid amounts of approximately €108 million related to the IT activities connected with the building of an integrated IT platform for Regione Sicilia, within specifications and provisions set out in the convention signed between Regione Sicilia, Sicilia Digitale S.p.A. and SISEV, which expired on December 22, 2013. As of March 31, 2020, our total exposure to Sicilia Digitale S.p.A. and Regione Sicilia amounted to €123.8 million, including €109.3 million of trade receivables and €14.5 million of customer contract assets. Our trade receivables from Sicilia Digitale S.p.A. and Regione Sicilia included receivables on invoices issued (€37.2 million), invoices to be issued (€35.4 million) and interest in arrears (€36.7 million). As of March 31, 2020, we recorded a doubtful debt provision in relation to these receivables amounting to €27.4 million and a related doubtful debt provision for interest on arrears amounting to €36.7 million. As of March 31, 2020, our net exposure to Sicilia Digitale and Regione Sicilia amounted to €59.7 million. Except for receivables due from Sicilia Digitale S.p.A. and Regione Sicilia, we believe we have a good track-record of collecting outstanding payments.

We mitigate our exposure to the risks relating to the collection of receivables through constant monitoring of our commercial exposure and the collection times of receivables, which we track excluding the effects of non-recourse sales of receivables. We have a dedicated team focused on receivables collection and our sales representatives' variable bonus includes DSO annual targets. In addition, from time to time in the past, we have engaged in the sale of receivables on the basis of uncommitted framework factoring agreements to manage our working capital during peak periods. Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs.

The table below summarizes the key factors affecting our trade receivables as of December 31, 2017, 2018 and 2019 and as of March 31, 2020:

(€ million unless otherwise indicated)	**As of December 31,**			**As of March 31,**
	2017	**2018**	**2019**	**2020**
Trade receivables	550.8	568.1	590.5	528.1
Of which, from Sicilia Digitale S.p.A. and Regione Sicilia(1)	*82.7*	*82.7*	*45.2*	*45.2*
Amount of trade receivables sold through non-recourse sales of receivables outstanding at the end of the period	83.8	67.3	64.5	59.3
Overdue trade receivables	225.3	216.1	188.0	213.3
Of which from Sicilia Digitale S.p.A. and Regione Sicilia(2)	*58.9*	*58.9*	*37.2*	*37.2*
Of which from other public sector customers(3)	*42.4*	*47.9*	*40.2*	*61.2*
Of which from private sector customers	*124.0*	*109.3*	*110.6*	*114.9*
Doubtful debt provision	46.4	39.3	54.4	54.4(4)
Of which from Sicilia Digitale S.p.A. and Regione Sicilia	*11.2*	*11.6*	*27.4*	*27.4*
Provision for the period	13.1	7.7	32.7	1.4
Of which from Sicilia Digitale S.p.A. and Regione Sicilia	*7.7*	*7.7*	*26.8*	*1.4*
Write-off of receivables considered non-recoverable	—	11.0	17.6	1.5

(1) Includes (i) trade receivables on invoices issued and (ii) invoices to be issued, net of doubtful debt provision.

(2) Includes only trade receivables on invoices issued.

(3) "Other public sector customers" includes customers in the Public Administration and Health industry verticals, excluding Sicilia Digitale S.p.A. and Regione Sicilia.

(4) No provision on exposure to a single counterparty represents more than €3.0 million (other than Sicilia Digitale S.p.A. and Regione Sicilia).

Revenue generation, cash collection and billing patterns

To a certain extent, we are subject to Revenue generation, cash collection and billing patterns. In particular, while our cash collection is stable during the first two quarters of each year on the back of the ongoing fees we receive by customers under all our ongoing contracts, our cash collection usually peaks during the fourth quarter of each year due to the finalization of accounts and payment of invoices by our customers in anticipation of the end of the financial year. Our cash collection is typically lowest during the third quarter of each year due primarily to extended school holidays in Italy during the month of August. Maintenance fees are typically collected quarterly and yearly, starting from when the initial purchase order is made by the relevant customer. Our billing cycle and the recognition of revenues in our income statement is typically subject to similar drivers, with a stable level of revenues recorded in the first two quarters of each year, when we collect purchase orders from customers, and the highest revenues recorded during the third and fourth quarter of each year when we typically issue invoices to our customers in connection with the formalization of purchase orders as binding contracts and the finalization of our yearly accounts. Our working capital levels are also subject to similar drivers, with our working capital levels typically peaking in September of each year, in connection with payments of invoices by our customers, before gradually declining to their low point in December of each year.

From time to time, we carry significant accounts receivable balances from a limited number of customers that generate a large portion of our revenues. In the past, we have engaged in the sale of receivables on the basis of uncommitted framework non-recourse factoring agreements in order to support our working capital and liquidity needs. Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs. Billed and unbilled receivables, as well as DSOs in accounts receivable, net of deferred revenue, can vary based on the timing and size of cash receipts. Typically, receivables sold through non-recourse sales of receivables are written off from our financial statements upon their transfer, as all risks and benefits of the factored receivables are irrevocably transferred to the transferee. In the twelve months ended March 31, 2020, we sold €164.3 million of outstanding trade receivables on a non-recourse basis.

Our results of operations are also affected by varying billing and invoicing patterns among our different types of activities, industry verticals and types of customers. Sales cycles vary among our different industry verticals and types of customers, with the time between the date a contract is entered into and the beginning of the provision of services ranging from an average of six months for private sector customers to one to two years for contracts awarded under public tenders. Because we recognize revenues only upon the actual provision of the contracted services and achievement of other recognition criteria, the financial benefit of gaining a new client may not be realized at the intended time due to delays in the implementation of our services or due to an increase in the start-up costs required in building our infrastructure.

Italian macroeconomic conditions, market trends and customer demands

We primarily operate our business in Italy where we generated 86% of our revenues for the year ended December 31, 2019. As a result, although our revenues have remained resilient through volatile macroeconomic cycles during the past 20 years, with our revenues' organic growth continuously outperforming Italian GDP growth on a year-over-year basis, macroeconomic conditions, market trends and customer demands in Italy have an impact on our results of operations. Overall economic growth in Italy has been slow since the end of the 2009/2010 financial crisis and the subsequent Eurozone banking crisis, with the Italian GDP growing at a CAGR of 0.9% between 2009 and 2019. Prior to 2015, IT services spend in Italy generally grew in line with GDP growth after which growth in IT services spend increasingly outperformed the Italian GDP growth. See "*Industry and Market Overview—Large and attractive addressable markets*." Between 2017 and 2019, the Italian IT Services and Software & Solutions markets grew at a CAGR of approximately 6% and was estimated to be worth approximately €19.9 billion in 2019, according to Anitec-Assinform. This growth was primarily driven by ongoing digitalization across the Italian public and private sectors, increasing spending in transformation projects from traditional IT to new digital enabling technologies and the "mission-critical" nature of IT services spend, which to some extent insulated the Services and Software & Solutions markets in Italy from macroeconomic fluctuations of GDP growth.

Following the outbreak of the COVID-19 pandemic, according to a preliminary estimate of the Italian National Institute of Statistics (ISTAT), the Italian economy contracted sharply during the first quarter of 2020, recording a year-on-year contraction in GDP of 4.8%, the worst year-on-year decrease of GDP since records began in 1995. Although it is at this stage too early to predict the medium- to long-term effects of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets, IT services spend and the Italian economy generally, since the outbreak of the COVID-19 pandemic we have experienced an increase in customer demand for digitalization products and services across almost all of our industry verticals, as businesses and public administration entities have been forced to rely on their IT infrastructures and systems and have turned to remote working and cloud-based solutions to run their operations. In the three months ended March 31, 2020, we have seen an increase in revenues across four of our six verticals, particularly in our Health industry vertical, while revenues in our Industry & Services vertical remained stable despite the impact of the COVID-19 outbreak on demand from customers in the leisure travel and cruise industry, and revenues in our Telco & Media industry vertical declined as a result of regulatory changes affecting our mobile payments business. See *"—Liquidity and Capital Resources,*" "*Summary—Recent Developments—COVID-19 Update*" and "*—Results of Operations—Three Months Ended March 31, 2019 compared with Three Months Ended 2020."*

Key Factors Affecting the Comparability of Our Results of Operations

The Transactions

In the future, we will report our financial results in respect of periods following the Acquisition Closing Date but prior to the Merger Date to holders of the Notes at the level of the Issuer in accordance with IFRS. Following the Post-Completion Merger, we will repost our financial results in respect of periods following the Merger Date to holders of the Notes of the level of MergerCo in accordance with IFRS.

The Issuer will account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Issuer's future consolidated financial statements with the Financial Statements contained in this Offering Memorandum. We will apply purchase accounting adjustments in connection with the Acquisition to our financial statements for accounting periods subsequent to the Acquisition Closing Date. The application of purchase accounting will result in different carrying values for existing assets and assets we may add to our balance sheet, which may include intangible assets, such as goodwill, leasehold rights and software, and different amortization and depreciation expenses. Due to these and other potential adjustments, our financial statements could be materially different once the adjustments are made.

Furthermore, we will incur a substantial amount of indebtedness as a result of the Transactions. As of March 31, 2020, adjusted to give effect to the Transactions, we would have had total third-party debt in the aggregate amount of €650.6 million, consisting of the Notes and the Rolled Target Indebtedness which we expect to remain outstanding following the Acquisition Closing Date, including cash management facilities, local overdraft facilities and bilateral lines of credit. See "*Capitalization*" and "*Description of Certain Financing Arrangements—Rolled Target Indebtedness*." In addition, we will have €160 million available for drawing under the Revolving Credit Facility. On or after the Acquisition Closing Date, we also expect to enter into a facilities agreement with Banco BPM S.p.A. which would provide for term loans in an aggregate principal amount of €30.0 million. See "*Description of Certain Financing Arrangements—Rolled Target Indebtedness—BPM Facility.*"

Our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities, since a substantial portion our cash flow from operations will be dedicated to the repayment of our indebtedness, and this may place us at a competitive disadvantage as some of our competitors are less leveraged.

Changes to Accounting Standards

Our financial statements are prepared and presented in accordance with IFRS.

Adoption of IFRS 16 (Leases)

On January 13, 2016, the IASB published IFRS 16, and the European Union adopted IFRS 16 on November 9, 2017. IFRS 16 became effective from January 1, 2019. The new standard replaces the previous lease accounting standard, IAS 17, including related interpretations.

We have adopted IFRS 16 from January 1, 2019. On adoption of IFRS 16, we have recognized a financial liability equal to the present value of the outstanding payments at the transition date, discounted using the marginal borrowing rate applicable at the transition date for each lease in relation to leases that had previously been classified as "operating leases" under the principles of IAS 17. We have also recognized a right-of-use asset equal to the amount of the lease liability adjusted for any deferred lease income or lease prepayments recognized in the statement of financial position immediately before the date of initial application. We elected to apply the modified retrospective approach on transition to IFRS 16 and the cumulative effect of initially applying the standard was recognized at the date of initial application, being January 1, 2019. The adoption of IFRS 16 has impacted the following balance sheet line items as of January 1, 2019, compared to December 31, 2018:

- non-current assets relating to rights of use of buildings, vehicles, plant and machinery and industrial and commercial equipment increased by €162.0 million, compared to December 31, 2018; and
- liabilities increased by €162.0 million, compared to December 31, 2018, of which €148.0 million as non-current lease liabilities and €14.0 million as current lease liabilities.

As a consequence of adopting IFRS 16, our Adjusted EBITDA has been positively impacted, reflecting a reduction in operating expenses. As a result, figures as of and for the year ended December 31, 2019 may not be comparable to the corresponding figures presented as of and for the years ended December 31, 2018 and 2017, which have not been restated to give effect to IFRS 16.

Our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 have not been restated for the application of IFRS 16. Instead, those financial statements applied IAS 17, which was the accounting standard in effect at that time. Therefore, due to the adoption of the new accounting standard and the accounting policies changes applied, the Target's audited consolidated financial statements as of December 31, 2019 are not directly comparable with the Target's audited consolidated financial statements as of December 31, 2017 and 2018.

Adoption of IFRS 9 (Financial Instruments: Recognition and Measurement) and IFRS 15 (Revenue from Contracts with Customers)

On January 1, 2018, the Target adopted IFRS 15 (*Revenue from Contracts with Customers)* ("IFRS 15") and IFRS 9 *(Financial Instruments: Recognition and Measurement)* ("IFRS 9"). IFRS 9 and IFRS 15 were applied using the modified retrospective approach and therefore the retained earnings as of January 1, 2018 have been adjusted to reflect this change for application of IFRS 9 and IFRS 15. For more information, refer to the Target's audited consolidated financial statements as of and for the year ended December 31, 2018 included elsewhere in this Offering Memorandum.

The audited consolidated financial statements as of and for the year ended December 31, 2017 have not been restated for the application of IFRS 15 and IFRS 9. Instead, this financial statement applied IAS 18 and IAS 39, which were the accounting standards in effect at that time. Therefore, due to the adoption of the new accounting standards and the accounting policies changes applied, the audited consolidated financial statements as of and for the years December 31, 2018 and 2019 are not directly comparable with the audited consolidated financial information as of and for the year December 31, 2017.

Description of Key Income Statement Items

Revenues

Revenues means revenue from sales and services of products produced. In particular, this refers to consultancy services, IT design, usage licenses, software maintenance services and outsourcing services. For further information, see "*—Accounting Policies—Revenue Recognition.*"

Other revenues

Other revenues mainly refer to revenue from grants for research projects financed by national bodies and by the European Union as well as "other income" which comprises revenues of various types, including re-invoicing of fringe benefits to employees for use of company cars and corporate SIM cards for mobile telephones.

Raw materials and consumables

Raw materials and consumables mainly consist of purchases of raw materials and goods, mainly hardware and software and purchases of consumables, such as stationary paper.

Service costs

Costs for services comprise: electronic data processing purchases, services and data lines; insurance; bank commissions; technical support and consultancy; which represents the largest component, refers to costs for services provided by external professional resources utilized in the Group's operating and production cycles and is therefore directly correlated to the Group's revenue trends, consultancy from associates; training and refresher courses; consultants; cost of corporate boards; building rental; maintenance of tangible and intangible assets; canteen and other personnel costs; automotive expenses; hardware and software rental; maintenance and security services; advertising and sales representative expenses; travel costs; postage and shipping expenses; utilities; and other costs for services.

The "technical support and consultancy" item represents the largest component within the service costs item and is related to costs incurred to pay for external professional resources, employed by the Group, that we use in our production and operating cycle in order to manage peaks of activity. Therefore, trends in this service cost line item are directly correlated to trends in our revenue.

Personnel costs

Personnel costs refer to salaries and wages, social security expenses; post-employment benefits, restructuring and reorganizing personnel and other personnel costs.

Salaries and wages include costs related to holidays and leave pays, indemnities, overtime and bonuses. Restructuring and reorganizing personnel item is related to the costs of incentives for employees leaving early during the year. Personnel costs also includes costs for research undertaken in order to gain new technical expertise, which are recorded in the income statement in the year in which they are incurred. Other personnel costs include costs related to an employee stock option plan, as well as reclassification of amortization and depreciation relating to cars assigned to employees, as required under IFRS 16.

Amortization and depreciation

Amortization and depreciation includes depreciation of property, plant and equipment, amortization of intangible assets as well as depreciation and amortization resulting from the adoption of IFRS 16.

Provisions

Provisions consists of provisions allocated to bad debt, provisions allocated to risks and write-downs of fixed assets. Amounts recognized under the provisions item represent the best estimates and assumptions based on the best information available to management at the relevant reporting date.

Other costs

Other costs consist of dues and subscriptions, certain tax related costs (such as non-income charges resulting from tax audits) gifts and donations, charges for social causes and other costs.

Financial income

Financial income includes interest income, fair value gain and gains on foreign exchange differences. Interest income includes interest in arrears related to customer receivables from Sicilia Digitale S.p.A and Regione Sicilia. See "*Business—Legal Proceedings*."

Financial expenses

Financial expenses consist of interest expenses and losses on foreign exchange differences. Interest expenses mainly refer to financial expenses relating to certain loan agreements.

Income and expenses from investments

Income and expenses from investments consists of gains on equity investments, write-downs of equity investments and non-recurring income or charges from investments.

Income taxes

Income taxes consist of current taxes and deferred taxes. Taxes for any relevant period are estimated taking into account the result for the period as well as the applicable laws and regulations, and represent the best management estimate of the tax charge.

Results of Operations

Three Months Ended March 31, 2019 compared with Three Months Ended March 31, 2020

(€ million, unless otherwise stated)	Three Months Ended March 31, 2019*	Three Months Ended March 31, 2020*	Change in %
Revenues	292.1	302.0	3.4%
Other revenues	6.6	8.7	31.8%
Total revenues	**298.7**	**310.7**	**4.0%**
Raw materials and consumables	5.6	15.1	169.6%
Service costs	100.2	94.2	(6.0)%
Personnel costs	159.6	168.4	5.5%
Amortization and depreciation	13.3	14.7	10.6%
Provisions	(0.1)	1.4	1,500%
Other costs	2.9	2.5	(13.8)%
Total operating expenses	**281.5**	**296.3**	**5.2%**
Operating profit	**17.2**	**14.4**	**(16.3)%**
Financial income	1.1	1.6	45.4%
Financial expenses	2.6	5.6	115.4%
Net financial income / (expenses)	**(1.5)**	**(4.0)**	**166.7%**
Total income / (expenses) from investments	**0.0**	**0.0**	**—**
Profit before taxes	**15.7**	**10.4**	**(33.7)%**
Income taxes	3.6	2.2	(38.9)%
Net profit from continuing operations	**12.1**	**8.2**	**(32.2)%**
Consolidated profit for the period	**12.1**	**8.2**	**(32.2)%**

* Unaudited.

Revenues

Revenues increased by €9.9 million, or 3.4%, from €292.1 million for the three months ended March 31, 2019 to €302.0 million for the three months ended March 31, 2020. This increase was primarily due to the strong performance in our Finance, Health and Public Administration verticals, which offset the decline in revenues generated in the Telco & Media industry vertical due to a slowdown in mobile payments volumes generated by *Mobile Vas*, our in-cloud management service platform for mobile operators, in connection with regulatory issues, as further explained below. Revenues in our Industry & Services vertical remained relatively stable despite the impact of the outbreak of the COVID-19 pandemic on our customers in the leisure travel and cruise industry. Our organic revenue growth from the three months ended March 31, 2019 to the three months ended March 31, 2020 was 2.6%.

Revenues by Industry Vertical

The table below shows our revenues by industry vertical for the three month periods ended March 31, 2019 and 2020, respectively:

(€ million, unless otherwise stated)	Three Months Ended March 31, 2019*	Three Months Ended March 31, 2020*	Change in %
Finance	59.4	68.0	14.4%
Health	15.3	18.8	22.8%
Industry & Services	68.6	69.0	0.6%
Telco & Media	43.8	34.1	(22.1)%
Energy & Utilities	45.2	47.9	6.1%
Public Administration	59.8	64.2	7.5%
Revenues	**292.1**	**302.0**	**3.4%**

* Unaudited.

Revenues in the Finance industry vertical increased by €8.6 million, or 14.4%, from €59.4 million for the three months ended March 31, 2019 to €68.0 million for the three months ended March 31, 2020. This increase was primarily due to the full year effect of the consolidation into our results of Deus Technology S.r.l., which was not part of our corporate perimeter in the first quarter of 2019, as well as the launch of a major project for Poste Italiane.

Revenues in the Health industry vertical increased by €3.5 million, or 22.8%, from €15.3 million for the three months ended March 31, 2019 to €18.8 million for the three months ended March 31, 2020. This increase was primarily due to a strong increase in demand for our services as a result to the COVID-19 pandemic. For example, we played a key role in assisting healthcare authorities in the Veneto region with the implementation of effective measures to contain the spread of the COVID-19 pandemic by developing Eng-DE4Bios, our data-driven and cloud-native bio-surveillance system that collects, integrates and harmonizes data and utilizes digital enabling technologies to geo-locate infected individuals and identify population clusters that may be at risk.

Revenues in the Industry & Services industry vertical slightly increased by €0.4 million, or 0.6%, from €68.6 million for the three months ended March 31, 2019 to €69.0 million for the three months ended March 31, 2020. Revenues in the Industry & Services industry slightly increased despite the decline in demand from our customers in the leisure travel and cruise industry as result of the COVID-19 pandemic.

Revenues in the Telco & Media industry vertical decreased by €9.7 million, or 22.1%, from €43.8 million for the three months ended March 31, 2019 to €34.1 million for the three months ended March 31, 2020. This decrease was primarily due to an anticipated decline in the mobile payments business as a result of the significant reduction in volumes generated on *Mobile VAS*, a platform for in-cloud management services enabling mobile operators to sell value-added products and services to customers with subscriptions, resulting from restrictions imposed by the competent Italian authorities on the use of services through the *Mobile VAS* platform by such mobile operators. In particular, revenue generated from our mobile payments business decreased from €17.7 million for the three months ended March 31, 2019 to €3.5 million for the three months ended March 31, 2020. Assuming a constant level of revenue from our mobile payments business between 2018 and 2019, revenues in our Telco & Media industry vertical in the three months ended March 31, 2020 would have been €48.3 million, an increase of €4.5 million (or 10.3%) from €43.8 million in the three months ended March 31, 2019.

Revenues in the Energy & Utilities industry vertical increased by €2.7 million, or 6.1%, from €45.2 million for the three months ended March 31, 2019 to €47.9 million for the three months ended March 31, 2020. This increase was primarily due to a new contract with ENEL and the consolidation of FDL Servizi, acquired in February 2020.

Revenues in the Public Administration industry vertical increased by €4.4 million, or 7.5%, from €59.8 million for the three months ended March 31, 2019 to €64.2 million for the three months ended March 31, 2020. This increase was primarily due to revenues generated by the new framework agreement with CONSIP for the provision of digital services to local municipalities and regional administrations, which was awarded to us in 2019, as well as the continuous implementation of other framework agreements won in the past months.

Other Revenues

Other revenues increased by €2.1 million, or 31.8%, from €6.6 million for the three months ended March 31, 2019 to €8.7 million for the three months ended March 31, 2020. This increase was primarily due to an increase in commercial rebates from our partners and suppliers.

Raw materials and consumables

Cost of raw materials and consumables increased by €9.5 million, or 169.6%, from €5.6 million for the three months ended March 31, 2019 to €15.1 million for the three months ended March 31, 2020. This increase was primarily due to an increase of €9.5 million in the cost associated with the resale of software products. Cost of raw materials and consumables accounted for 1.9% of our revenues for the three months ended March 31, 2019, compared with 5.0% of our revenues for the three months ended March 31, 2020.

Service costs

Service costs decreased by €6.0 million, or 6.0%, from €100.2 million for the three months ended March 31, 2019 to €94.2 million for the three months ended March 31, 2020. This decrease was primarily due to a €5.3 million decrease in costs for external professional resources services used in our operating and production cycles as well as a €1.8 million decrease in travel expenses, both primarily resulting from the COVID 19 pandemic. Service costs accounted for 34.3% of our revenues for the three months ended March 31, 2019, compared with 31.2% of our revenues for the three months ended March 31, 2020.

Personnel costs

Personnel costs increased by €8.8 million, or 5.5%, from €159.6 million for the three months ended March 31, 2019 to €168.4 million for the three months ended March 31, 2020. This increase was primarily due to an increase in the average number of our employees reflected the decrease in the share of external professional resources services used in our operating and production cycles as well as organic growth, which resulted in increased costs of €3.8 million for salaries and wages for the three months ended March 31, 2020. Personnel costs accounted for 54.6% of our revenues for the three months ended March 31, 2019, compared with 56.8% of our revenues for the three months ended March 31, 2020.

Amortization and depreciation

Amortization and depreciation increased by €1.4 million, or 10.6%, from €13.3 million for the three months ended March 31, 2019 to €14.7 million for the three months ended March 31, 2020. This increase was primarily due to the €1.3 million increase in amortization of intangible assets resulting from the capitalization of costs associated with the development of software products as intangible assets. Amortization and depreciation costs accounted for 4.6% of our revenues for the three months ended March 31, 2019, compared with 4.9% of our revenues for the three months ended March 31, 2020.

Provisions

Provisions increased by €1.5 million, or 1,500%, from €(0.1) million for the three months ended March 31, 2019 to €1.4 million for the three months ended March 31, 2020. This increase was primarily due to an increased allocation to doubtful debt provisions due to a provision of doubtful receivables by, and a write-down of receivables due from, the Group's controlled subsidiary, SISEV. See "*Business—Legal Proceedings*." Provisions accounted for nil% of our revenues for the three months ended March 31, 2019, compared to 0.5% of our revenues for the three months ended March 31, 2020.

Other costs

Other costs decreased by €0.4 million, or 13.8%, from €2.9 million for the three months ended March 31, 2019 to €2.5 million for the three months ended March 31, 2020. This decrease was primarily due to a decrease in non-income tax charges. Other costs accounted for 1.0% of our revenues for the three months ended March 31, 2019, compared to 0.8% of our revenues for the three months ended March 31, 2020.

Financial income

Financial income increased by €0.5 million, or 45.4%, from €1.1 million for the three months ended March 31, 2019 to €1.6 million for the three months ended March 31, 2020. This increase was primarily due to an increase in interest income related to receivables from Sicilia Digitale S.p.A and Regione Sicilia relating to unpaid invoices. See "*Business—Legal Proceedings*."

Financial expenses

Financial expenses increased by €3.0 million, or more than 115.4%, from €2.6 million for the three months ended March 31, 2019 to €5.6 million for the three months ended March 31, 2020. This increase was primarily due to the increase in interest expenses on financial leases.

Income taxes

Income taxes decreased by €1.4 million, or 38.9%, from €3.6 million for the three months ended March 31, 2019 to €2.2 million for the three months ended March 31, 2020. This decrease was primarily due to a reduction of our income before tax, which led to a decrease in corporate income tax payable. Our deferred tax assets and deferred tax liabilities remained substantially unchanged.

Adjusted EBITDA

Adjusted EBITDA increased by €2.4 million, or 7.2%, from €33.2 million for the three months ended March 31, 2019 to €35.6 million for the three months ended March 31, 2020. This increase was primarily due to the significant increase in sales volumes and an increase in research and development costs in our Health industry vertical, which was capitalized during the period under review, as well as the increase in sales volumes and the contribution of FDL Servizi S.r.l. in our Energy & Utilities industry vertical, which more than offset the decrease in sales volumes in both our Telco & Media and Public Administration industry verticals due to the decline in our mobile payments and tax collection businesses, respectively.

Adjusted EBITDA by industry verticals

The table below shows our Adjusted EBITDA by industry vertical for the three month periods ended March 31, 2019 and 2020, respectively:

	Three Months Ended March 31,		
(€ million, unless otherwise stated)	**2019***	**2020***	**Change in %**
Finance	12.5	13.2	5.6%
Health	1.8	4.0	122%
Industry & Services	5.3	5.2	(1.9)%
Telco & Media	3.8	2.7	(28.9)%
Energy & Utilities	3.4	5.1	50.0%
Public Administration	6.4	5.4	(17.2)%
Adjusted EBITDA	**33.2**	**35.6**	**7.2%**

* Unaudited

Adjusted EBITDA in the Finance industry vertical increased by €0.7 million, or 5.6%, from €12.5 million for the three months ended March 31, 2019 to €13.2 million for the three months ended March 31, 2020. This increase was primarily due to increased sales volumes as well as cost savings achieved due to the COVID-19 pandemic, such as lower travel expenses and lower service costs related to external professional resources services.

Adjusted EBITDA in the Health industry vertical increased by €2.2 million, or 122.2%, from €1.8 million for the three months ended March 31, 2019 to €4.0 million for the three months ended March 31, 2020. This increase was primarily due to increased sales volumes, cost savings, mainly in relation to travel expenses, as a result of the Italy-wide quarantine in response to the COVID-19 pandemic, as well as the capitalization of costs relating to research and development, which increased by €1.2 million in the first three months ended March 31, 2020 compared to the three months ended March 31, 2019.

Adjusted EBITDA in the Industry & Services industry vertical slightly decreased by €0.1 million, or 1.9%, from €5.3 million for the three months ended March 31, 2019 to €5.2 million for the three months ended March 31, 2020.

Adjusted EBITDA in the Telco & Media industry vertical decreased by €1.1 million, or 28.9%, from €3.8 million for the three months ended March 31, 2019 to €2.7 million for the three months ended March 31, 2020. This decrease was primarily due to the slowdown in revenues generated from our mobile payments business as compared to other solutions offered in our Telco & Media industry vertical, which declined from €17.7 million in the three months ended March 31, 2019 to €3.5 million in the first three months ended March 31, 2020. See also "*Key Factors Affecting Results of Operations and Financial Condition—Sales Mix Across Activities and Industry Verticals—Sales Mix across Industry Verticals.*"

Adjusted EBITDA in the Energy & Utilities industry vertical increased by €1.7 million, or 50%, from €3.4 million for the three months ended March 31, 2019 to €5.1 million for the three months ended March 31, 2020. This increase was primarily due to increased sales volumes and the contribution of FDL Servizi S.r.l.

Adjusted EBITDA in the Public Administration industry vertical decreased by €1.1 million, or 17.2%, from €6.4 million for the three months ended March 31, 2019 to €5.4 million for the three months ended March 31, 2020. This decrease was primarily due to the significant decrease in volumes generated by our tax collection business (Municipia S.p.A.) due to the decision by the Italian Government to postpone all income tax collections in connection with the outbreak of the COVID-19 pandemic which did not result in a corresponding decrease in operating costs and was not compensated by the increase in volumes generated from other sources.

Year Ended December 31, 2018 compared with Year Ended December 31, 2019

(€ million, unless otherwise stated)	Year Ended December 31, 2018	2019	Change in %
Revenues	**1,154.9**	**1,250.9**	**8.3%**
Other revenues	25.4	23.1	10.1%
Total revenues	**1,180.3**	**1,274.0**	8.2%
Raw materials and consumables	20.1	33.7	67.5%
Service costs	421.9	425.3	0.8%
Personnel costs	589.0	639.9	8.6%
Amortization and depreciation	43.5	60.3	38.7%
Provisions	15.8	39.5	150%
Other costs	12.0	14.1	17.5%
Total operating expenses	**1,102.3**	**1,212.8**	**10.3%**
Operating profit	**78.0**	**61.2**	**(21.6)%**
Financial income	15.6	8.4	(46.1)%
Financial expenses	12.0	10.9	(9.0)%
Net financial income / (expenses)	**3.7**	**(2.5)**	(167.6)%
Total income / (expenses) from investments	**(0.0)**	**3.2**	**100%**
Profit before taxes	**81.7**	**61.9**	**(24.1)%**
Income taxes	24.0	18.1	(24.4)%
Net Profit from continuing operations	**57.7**	**43.8**	**(24.0)%**
Consolidated profit for the year	**57.7**	**43.8**	**(24.0)%**

Revenues

Revenues increased by €96.0 million, or 8.3%, from €1,154.9 million for the year ended December 31, 2018 to €1,250.9 million for the year ended December 31, 2019. This increase was primarily due to an increase in sales of services and products across almost all our six industry verticals and, in particular, in our Finance and Telco & Media industry verticals, resulting from the further expansion of digital enabling technologies projects, as well as the full consolidation into our results of new companies acquired, in particular Cybertech Group and Deus Technology S.r.l, which more than offset the decrease in revenues generated in the Telco & Media industry vertical due to the anticipated slowdown in our mobile payments business. Our organic revenue growth from the year ended December 31, 2018 to the year ended December 31, 2019 was 5.6%.

Revenues by Industry Vertical

The table below shows our revenues by industry vertical for the years ended December 31, 2018 and 2019, respectively:

(€ million, unless otherwise stated)	Year Ended December 31, 2018*	2019	Change in %
Finance	239.7	274.6	14.6%
Health	63.9	70.4	10.2%
Industry & Services	253.0	280.2	10.8%
Telco & Media	181.5	160.0	(11.8)%
Energy & Utilities	183.3	198.0	8.0%
Public Administration	233.6	267.6	14.6%
Revenues	**1,154.9**	**1,250.9**	**8.3%**

* The financial data for revenues and Adjusted EBITDA by industry vertical for the year ended December 31, 2018 has not been audited. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*"

Revenues in the Finance industry vertical increased by €34.9 million, or 14.6%, from €239.7 million for the year ended December 31, 2018 to €274.6 million for the year ended December 31, 2019. This increase was primarily due to increased sales generated with key clients and resulting from the increased focus on innovative technologies to support banks such as the e-payment business as well as the consolidation into our results of Deus Technology S.r.l. in the fourth quarter of the year.

Revenues in the Health industry vertical increased by €6.5 million, or 10.2%, from €63.9 million for the year ended December 31, 2018 to €70.4 million for the year ended December 31, 2019. This increase was primarily due to new contracts won (including with Regione Lombardia, Tuscany region and Abruzzo region).

Revenues in the Industry & Services industry vertical increased by €27.2 million, or 10.8%, from €253.0 million for the year ended December 31, 2018 to €280.2 million for the year ended December 31, 2019. This increase was primarily due to new projects launched with FCA as well as the impact of the full consolidation into our results of Cybertech Group starting from the fourth quarter of the year.

Revenues in the Telco & Media industry vertical decreased by €21.5 million, or 11.8%, from €181.5 million for the year ended December 31, 2018 to €160.0 million for the year ended December 31, 2019. This decrease was primarily due to the slowdown of the mobile payment business as a result of a reduction in volumes generated on *Mobile VAS*, a platform for in-cloud management services enabling mobile operators to sell value-added products and services to customers with subscriptions, resulting from restrictions imposed by the competent Italian authorities on the use of services through the *Mobile VAS* platform by such mobile operators. In particular, revenue generated from our mobile payments business decreased from €60.4 million for the year ended December 31, 2018 to €45.5 million for the the year ended December 31, 2019. Assuming a constant level of revenue from our mobile payments business between 2018 and 2019, revenues in our Telco & Media industry vertical in the year ended December 31, 2019 would have been €174.9 million, a decrease of €6.6 million (or 3.6%) from €181.5 million in the the year ended December 31, 2018.

Revenues in the Energy & Utilities industry vertical increased by €14.7 million, or 8.0%, from €183.3 million for the year ended December 31, 2018 to €198.0 million for the year ended December 31, 2019. This increase was primarily due to an increase in sales of our proprietary solution *Net@Suite*.

Revenues in the Public Administration industry vertical increased by €34.0 million, or 14.6%, from €233.6 million for the year ended December 31, 2018 to €267.6 million for the year ended December 31, 2019. This increase was primarily due to revenues generated by a new framework agreement with CONSIP for the provision of digital services to local municipalities and regional administrations as well as the strong performance in our tax collection business by our subsidiary Municipia S.p.A., as a result of new contracts awarded by municipalities.

Other Revenues

Other revenues decreased by €2.3 million from €25.4 million for the year ended December 31, 2018 to €23.1 million for the year ended December 31, 2019. This increase was primarily due to a higher amount of grants awarded for research projects financed by national and European institutions.

Raw materials and consumables

Cost of raw materials and consumables increased by €13.6 million, or 67.5%, from €20.1 million for the year ended December 31, 2018 to €33.7 million for the year ended December 31, 2019. This increase was primarily due to an increase of €12.1 million in costs associated with the resale of software products from €13.6 in the year ended December 31, 2018 to €25.2 in the year ended December 31, 2019. Cost of raw materials and consumables accounted for 1.7% of our revenues for the year ended December 31, 2018, compared to 2.7% of our revenues for the year ended December 31, 2019.

Service costs

Service costs increased by €3.4 million, or 0.8%, from €421.9 million for the year ended December 31, 2018 to €425.3 million for the year ended December 31, 2019. This increase was primarily due to (i) a €11.8 million increase in costs for external professional resources services used in our operating and production cycles resulting from higher revenues in the year ended December 31, 2019, (ii) €1.2 million of charges for external professional services received by the Group in relation to the due diligence activity performed in connection with the Acquisition and (iii) €1.6 million costs for the transfer of the Group's headquarters which, together, more than offset a €13.9 million decrease in expenses related to building, hardware and software rentals due to the impact of the implementation of IFRS 16. Service costs accounted for 36.5% of our revenues for the year ended December 31, 2018, compared with 34.0% of our revenues for the year ended December 31, 2019.

Personnel costs

Personnel costs increased by €50.9 million, or 8.6%, from €589.0 million for the year ended December 31, 2018 to €639.9 million for the year ended December 31, 2019. This increase was due to an increase in the average number of employees for the Group, due to both organic growth and the entry of new companies into the scope of consolidation, which resulted in increased costs of €33.6 million for salaries and wages for the year ended December 31, 2019. The increase in personnel costs was also due to increased social security expenses. Personnel costs accounted for 50.8% of our revenues for the year ended December 31, 2018, compared with 51.2% of our revenues for the year ended December 31, 2019, an increase of 0.4 percentage points.

Amortization and depreciation

Amortization and depreciation increased by €16.8 million, or 38.7%, from €43.5 million for the year ended December 31, 2018 to €60.3 million for the year ended December 31, 2019. This increase was primarily due to the adoption of the new IFRS 16 standard which provides for the depreciation of the right of use, specifically buildings, plant and machinery, industrial and commercial equipment. This effect amounted to €20 million. Amortization and depreciation accounted for 3.8% of our revenues for the year ended December 31, 2018, compared with 4.8% of our revenues for the year ended December 31, 2019.

Provisions

Provisions increased by €23.7 million, or 150%, from €15.8 million for the year ended December 31, 2018 to €39.5 million for the year ended December 31, 2019. This increase was primarily due to an increased allocation to doubtful debt provisions due to a provision of doubtful receivables by, and a write-down of receivables due from, the Group's controlled subsidiary, SISEV. See "*Business—Legal Proceedings*." The difference also relates to releases for amounts set aside in previous years which were settled with the related collection of receivables from SISEV. Provisions accounted for 1.4% of our revenues for the year ended December 31, 2018, compared with 3.2% of our revenues for the year ended December 31, 2019.

Other costs

Other costs increased by €2.1 million, or 17.5%, from €12.0 million for the year ended December 31, 2018 to €14.1 million for the year ended December 31, 2019. This increase was primarily due to as a result of fines incurred in connection with a reassessment of past income taxes (€2.7 million) as well as unrecoverable withholding taxes paid in certain countries of operation outside of Italy (€0.2 million). Other costs accounted for 1.0% of our revenues for the year ended December 31, 2018, compared with 1.1% of our revenues for the year ended December 31, 2019.

Financial income

Financial income decreased by €7.2 million, or 46.1%, from €15.6 million for the year ended December 31, 2018 to €8.4 million for the year ended December 31, 2019. This decrease was primarily due to a decrease in interest income related to receivables from Sicilia Digitale S.p.A and Regione Sicilia relating to unpaid invoices and a decrease in gains on foreign exchange differences. See "*Business—Legal Proceedings*."

Financial expenses

Financial expenses decreased by €1.1 million, or 9.0%, from €12.0 million for the year ended December 31, 2018 to €10.8 million for the year ended December 31, 2019. This decrease was primarily due to a decrease in losses on foreign exchange differences which more than offset the increase in interest expenses on certain loans.

Income taxes

Income taxes decreased by €5.9 million, or 24.4%, from €24.0 million for the year ended December 31, 2018 to €18.1 million for the year ended December 31, 2019. This decrease was primarily due to lower overall taxable income resulting in a decrease of corporate income tax by €2.6 million and a change in deferred tax assets and liabilities of €3.3 million.

Adjusted EBITDA

Adjusted EBITDA increased by €32.8 million, or 22.3%, from €147.2 million for the year ended December 31, 2018 to €180.0 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (€20.3 million) on all our industry verticals, except the Energy & Utilities industry vertical, as well as increase in sales volumes across almost all of our industry verticals, which more than offset the decrease in revenues in the Telco & Media industry vertical due to the anticipated slowdown in our mobile payments business. Excluding the effect of IFRS 16, Adjusted EBITDA for the year ended December 31, 2019 would have been €159.7 million, an increase of €12.5 million (or 8.5%) from €147.2 million for the year ended December 31, 2018.

Adjusted EBITDA by industry verticals

The table below shows our Adjusted EBITDA by industry vertical for the years ended December 31, 2018 and 2019, respectively:

(€ million, unless otherwise stated)	Year Ended December 31,		
	2018*	2019**	Change in %
Finance	49.8	60.8	22.1%
Health	10.8	12.6	16.6%
Industry & Services	17.9	23.5	31.2%
Telco & Media	16.3	19.8	21.5%
Energy & Utilities	27.0	28.2	4.8%
Public Administration	25.4	35.1	38.2%
Adjusted EBITDA[(a)]	**147.2**	**180.0**	**22.3%**

* The financial data for revenues and Adjusted EBITDA by industry vertical for the year ended December 31, 2018 has not been audited. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*"

** 2019 figures reflect the first-time application of IFRS 16, whereas 2018 figures reflect our Adjusted EBITDA prior to the implementation of IFRS 16. Accordingly, investors should exercise caution when comparing data from the 2018 and the 2019 columns of this table. See "*Presentation of Financial and Other Information.*"

(a) For a reconciliation of Adjusted EBITDA to the most directly comparable measures calculated and presented in accordance with IFRS, please see "*Summary Historical and Certain Other Financial Data—Other Financial Information and As Adjusted Data.*"

Adjusted EBITDA in the Finance industry vertical increased by €11.0 million, or 22.1%, from €49.8 million for the year ended December 31, 2018 to €60.8 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (approximately €6.8 million) as well as the combination of organic growth and the impact of the consolidation of Deus Technology. Excluding the effect of IFRS 16, Adjusted EBITDA in our Finance industry vertical for the year ended December 31, 2019 would have been €54.0 million, an increase of €4.2 million (or 8.4%) from €49.8 million for the year ended December 31, 2018.

Adjusted EBITDA in the Health industry vertical increased by €1.8 million, or 16.6%, from €10.8 million for the year ended December 31, 2018 to €12.6 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (approximately €1.4 million). Excluding the effect of IFRS 16, Adjusted EBITDA in our Health industry vertical for the year ended December 31, 2019 would have been €11.2 million, an increase of €0.4 million (or 3.7%) from €10.8 million for the year ended December 31, 2018.

Adjusted EBITDA in the Industry & Services industry vertical increased by €5.6 million, or 31.2%, from €17.9 million for the year ended December 31, 2018 to €23.5 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (approximately €2.6 million) as well as to a strong performance in our operations in the United States. Excluding the effect of IFRS 16, Adjusted EBITDA in our Industry & Services industry vertical for the year ended December 31, 2019 would have been €20.9 million, an increase of €3.0 million (or 16.8%) from €17.9 million for the year ended December 31, 2018.

Adjusted EBITDA in the Telco & Media industry vertical increased by €3.5 million, or 21.5%, from €16.3 million for the year ended December 31, 2018 to €19.8 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (approximately €5.5 million). Excluding the impact IFRS 16, Adjusted EBITDA in the Telco & Media industry vertical would have been €14.3 million, a decrease of €2.0 million (or 20%) from €16.3 million for the year ended December 31, 2018, which was mainly due to the anticipated slowdown in our mobile payments business.

Adjusted EBITDA in the Energy & Utilities industry vertical increased by €1.4 million, or 4.8%, from €27.0 million for the year ended December 31, 2018 to €28.2 million for the year ended December 31, 2019. This increase was primarily due to the good results generated by *Net@Suite*. The first-time implementation of IFRS 16 had no impact on the Adjusted EBITDA of the Energy & Utilities industry vertical.

Adjusted EBITDA in the Public Administration industry vertical increased by €9.7 million, or 38.2%, from €25.4 million for the year ended December 31, 2018 to €35.1 million for the year ended December 31, 2019. This increase was primarily due to the impact of the first-time application of IFRS 16 (approximately €4.0 million) as well as to the strong performance by our subsidiary Municipia S.p.A. Excluding the impact IFRS 16, Adjusted EBITDA in the Public Administration industry would have been €31.1 million, an increase of €5.7 million (or 22.4%) from €25.4 million for the year ended December 31, 2018.

Year Ended December 31, 2017 compared with Year Ended December 31, 2018

(€ million, unless otherwise stated)	Year Ended December 31, 2017*	2018	Change in%
Revenues	1,001.8	1,154.9	15.3%
Other revenues	27.0	25.4	(5.9)%
Revenues	**1,028.8**	**1,177.5**	**14.4%**
Raw materials and consumables	16.3	20.1	23.4%
Service costs	367.4	421.7	14.8%
Personnel costs	518.9	586.5	13.0%
Amortization and depreciation	34.0	43.5	27.9%
Provisions	19.1	15.8	(17.8)%
Other costs	12.7	12.0	(5.3)%
Total operating expenses	**968.4**	**1,102.3**	**13.5%**
Operating profit	**60.3**	**78.0**	**29.3%**
Financial income	10.3	15.6	51.3%
Financial expenses	15.8	12.0	(27)%
Net financial income (expenses)	**(5.5)**	**3.7**	**(167.3)%**
Total income / (expenses) from investments	**(1.0)**	**(0.0)**	**97.0%**
Profit before taxes	**53.9**	**81.7**	**51.6%**
Income taxes	4.8	24.0	400%
Net profit from continuing operations	**49.0**	**57.7**	**17.7%**
Consolidated profit for the year	**49.0**	**57.7**	**17.7%**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were not covered by the audit report included therein. See "*Presentation of Financial and Other Information.*"

Revenues

Revenues increased by €153.1 million, or 15.3%, from €1,001.8 million for the year ended December 31, 2017 to €1,154.9 million for the year ended December 31, 2018. This increase was primarily due to an increase in sales of services and products in particular in our Finance, Telco & Media and Energy & Utilities industry verticals due to primarily new contracts awarded by public sectors customers, growth in the offering of integrated products for the manufacturing sector as well as strong results in mobile payments and key contract wins in Italy and Brazil, and the full consolidation into our results of new companies acquired, in particular Infogroup and Sogeit. Our organic revenue growth from the year ended December 31, 2017 to the year ended December 31, 2018 was 7.5%.

Revenues by Industry Vertical

The table below shows our revenues by industry vertical for the years ended December 31, 2017 and 2018, respectively:

(€ million, unless otherwise stated)	Year Ended December 31, 2017*	Year Ended December 31, 2018*	Change in%
Finance	158.2	239.7	51.5%
Health	58.4	63.9	9.3%
Industry & Services	234.4	253.0	7.9%
Telco & Media	155.5	181.5	16.7%
Energy & Utilities	160.9	183.3	13.9%
Public Administration	234.3	233.6	(0.3%)
Revenues	**1,001.8**	**1,154.9**	**15.3%**

* The financial data for revenues by industry vertical for the year ended December 31, 2017 and 2018 has not been audited. See "*Presentation of Financial and Other Information—Our Industry Verticals and Activities.*"

Revenues in the Finance industry vertical increased by €81.5 million, or 51.5%, from €158.2 million for the year ended December 31, 2017 to €239.7 million for the year ended December 31, 2018. This increase was primarily due to the full consolidation into our results of Infogroup, which accounted for approximately €75.0 million of revenues in 2018, as well as increased sales with key clients resulting from the increased focus on innovative technologies to support banks.

Revenues in the Health industry vertical increased by €5.5 million, or 9.3%, from €58.4 million for the year ended December 31, 2017 to €63.9 million for the year ended December 31, 2018. This increase was primarily due to the launch of a new project within the Veneto region and new contracts won (including hospitals in Viterbo and Rome).

Revenues in the Industry & Services industry vertical increased by €18.6 million, or 7.9 %, from €234.4 million for the year ended December 31, 2017 to €253.0 million for the year ended December 31, 2018. This increase was primarily due to growth in our key clients and the full consolidation of entities acquired in 2017, mainly Engineering USA (previously known as Hyla Soft).

Revenues in the Telco & Media industry vertical increased by €25.9 million, or 16.7%, from €155.5 million for the year ended December 31, 2017 to €181.5 million for the year ended December 31, 2018. This increase was primarily due to strong sales from the mobile payments business and the consolidation into our results of Sogeit, which was acquired in 2017.

Revenues in the Energy & Utilities industry vertical increased by 22.4 million, or 13.9%, from €160.9 million for the year ended December 31, 2017 to €183.3 million for the year ended December 31, 2018. This increase was primarily due to key contract wins in Italy and Brazil and the consolidation into our results of Sogeit, which was acquired in 2017.

Revenues in the Public Administration industry vertical decreased by €0.7 million, or 0.3%, from €234.3 million for the year ended December 31, 2017 to €233.6 million for the year ended December 31, 2018. This decrease was primarily due to the lower number of successful auctions at the central public administration level during the year which was partially offset by a stronger performance at the local public administration level driven primarily by the new framework agreements awarded by CONSIP for the provision of integrated management systems (SGI) on the entire Italian territory as well as new contracts relating to regional accounting systems with regions (including Lazio, Puglia and Piedmont).

Other Revenues

Other revenues decreased by €1.6 million or 5.9% from €27 million for the year ended December 31, 2017 to €25.4 million for the year ended December 31, 2018. This decrease was primarily due to a lower amount of grants awarded for research projects financed by national and European institutions.

Raw materials and consumables

Cost of raw materials and consumables increased by €3.8 million, or 23.4%, from €16.3 million for the year ended December 31, 2017 to €20.1 million for the year ended December 31, 2018. This increase was primarily due to an increase of €3.3 million in costs associated with the resale of software products from €10.2 million in the year ended December 31, 2017 to €13.6 million in the year ended December 31, 2018. Cost of raw materials and consumables accounted for 1.6% of our revenues for the year ended December 31, 2017, compared with 1.7% of our revenues for the year ended December 31, 2018.

Service costs

Service costs increased by €54.3 million, or 14.8%, from €367.4 million for the year ended December 31, 2017 to €421.7 million for the year ended December 31, 2018. This increase was primarily due to a €40 million increase in costs for external professional resources services used in our operating and production cycles resulting from higher revenues in the year ended December 31, 2018. Service costs accounted for 36.7% of our revenues for the year ended December 31, 2017, compared with 36.5% of our revenues for the year ended December 31, 2018.

Personnel costs

Personnel costs increased by €67.6 million, or 13.0%, from €518.9 million for the year ended December 31, 2017 to €586.5 million for the year ended December 31, 2018. This increase was due to an increase in the average number of employees for the Group, due to both organic growth and the entry of new companies into the scope of consolidation, which resulted in increased costs of €55.1 million for salaries and wages for the year ended December 31, 2018. The increase in personnel costs was also due to increased social security expenses. Personnel costs accounted for 51.8% of our revenues for the year ended December 31, 2017, compared with 50.8% of our revenues for the year ended December 31, 2018.

Amortization and depreciation

Amortization and depreciation increased by €9.5 million, or 27.9%, from €34.0 million for the year ended December 31, 2017 to €43.5 million for the year ended December 31, 2018. This increase was primarily due to the €8.6 million increase in amortization of intangible assets resulting from the capitalization of costs associated with the development of software products as intangible assets as well as an increase of industrial patents and intellectual property following the purchase price allocation in connection with acquisitions. Amortization and depreciation accounted for 3.4% of our revenues for the year ended December 31, 2017, compared with 3.8% of our revenues for the year ended December 31, 2018.

Provisions

Provisions decreased by €3.3 million, or 17.8%, from €19.1 million for the year ended December 31, 2017 to €15.8 million for the year ended December 31, 2018. This decrease was primarily due to a decreased allocation to doubtful debt provisions in relation to interest in arrears attributable to receivables from Sicilia Digitale S.p.A and Regione Sicilia relating to unpaid invoices. See "*Business—Legal Proceedings*." Provisions accounted for 1.9% of our revenues for the year ended December 31, 2017, compared with 1.4% of our revenues for the year ended December 31, 2018.

Other costs

Other costs decreased by €0.7 million, or 5.3%, from €12.7 million for the year ended December 31, 2017 to €12.0 million for the year ended December 31, 2018. This decrease was primarily due to a decrease in costs for gifts and donations and in non-income tax charges. Other costs accounted for 1.3% of our revenues for the year ended December 31, 2017, compared with 1.0% of our revenues for the year ended December 31, 2018.

Financial income

Financial income increased by €5.3 million, or 51.5%, from €10.3 million for the year ended December 31, 2017 to €15.6 million for the year ended December 31, 2018. This increase was primarily due to (i) an increase in interest income related to receivables from Sicilia Digitale S.p.A. and Regione Sicilia relating to unpaid invoices (see "*Business—Legal Proceedings*") and (ii) the change in the contractual terms of one of the Group's bank facilities due to the implementation of IFRS 9 which resulted in the recognition of other income of €3.1 million as financial income. Financial income accounted for 1.0% of our revenues for the year ended December 31, 2017, compared with 1.3% of our revenues for the year ended December 31, 2018.

Financial expenses

Financial expenses decreased by €3.8 million, or 27%, from €15.8 million for the year ended December 31, 2017 to €12.0 million for the year ended December 31, 2018. This decrease was primarily due to the decrease in interest expenses on certain loans. Financial expenses accounted for 1.6% of our revenues for the year ended December 31, 2017 compared with 1.0% of our revenues for the year ended December 31, 2018.

Income taxes

Income taxes increased by €19.2 million, or 400%, from €4.8 million for the year ended December 31, 2017 to €24.0 million for the year ended December 31, 2018. This increase was primarily due to an increase in our taxable income which resulted in an increase in foreign corporate income taxes of €1.3 million as well as the effect on deferred tax assets and liabilities.

Adjusted EBITDA

Adjusted EBITDA increased by €24.3 million, or 19.8%, from €122.9 million for the year ended December 31, 2017 to €147.2 million for the year ended December 31, 2018. This increase was primarily due to the impact of the full consolidation of Infogroup into our results as well as the positive performance in our Finance and Energy & Utilities industry verticals.

Adjusted EBITDA by industry verticals

The table below shows our Adjusted EBITDA by industry vertical for the years ended December 31, 2017 and 2018, respectively:

	Year Ended December 31,		
(€ million, unless otherwise stated)	**2017***	**2018***	**Change in%**
Finance	32.7	49.8	52.3%
Health	11.0	10.8	(1.8%)
Industry & Services	17.0	17.9	5.2%
Telco & Media	18.0	16.3	(9.9%)
Energy & Utilities	22.0	27.0	22.7%
Public Administration	22.2	25.4	14.4%
Adjusted EBITDA	**122.9**	**147.2**	**19.8%**

* The financial data for Adjusted EBITDA by industry vertical for the year ended December 31, 2017 and 2018 has not been audited. See "*Presentation of Financial and Other Information— Our Industry Verticals and Activities.*"

Adjusted EBITDA in the Finance industry vertical increased by €17.1 million, or 52.3%, from €32.7 million for the year ended December 31, 2017 to €49.8 million for the year ended December 31, 2018. This increase was primarily due to the impact of the full consolidation of Infogroup (which represented approximately €11.0 million of Adjusted EBITDA) as well as organic growth.

Adjusted EBITDA in the Health industry vertical decreased by €0.2 million, or 1.8%, from €11.0 million for the year ended December 31, 2017 to €10.8 million for the year ended December 31, 2018.

Adjusted EBITDA in the Industry & Services industry vertical increased by €0.9 million, or 5%, from €17.0 million for the year ended December 31, 2017 to €17.9 million for the year ended December 31, 2018. This increase was primarily due to a strong performance in our product manufacturing lifecycle management and automation sub-segments, as well as the full consolidation of businesses acquired during 2017, mainly Engineering USA (previously known as Hyla Soft).

Adjusted EBITDA in the Telco & Media industry vertical decreased by €1.7 million, or 9.9%, from €18.0 million for the year ended December 31, 2017 to €16.3 million for the year ended December 31, 2018. This decrease was primarily due to price pressure in the sector.

Adjusted EBITDA in the Energy & Utilities industry vertical increased by €5.0 million, or 22.7%, from €22.0 million for the year ended December 31, 2017 to €27.0 million for the year ended December 31, 2018. This increase was primarily due to the positive performance of *Net@Suite*.

Adjusted EBITDA in the Public Administration industry vertical increased by €3.2 million, or 14.4%, from €22.2 million for the year ended December 31, 2017 to €25.4 million for the year ended December 31, 2018. This increase was primarily due to a strong performance at the local public administration level.

Liquidity and Capital Resources

Overview

Historically, the principal sources of our liquidity have been cash flow from operating activities and bank credit lines. In addition, in the past, we have engaged in the sale of receivables on the basis of uncommitted framework non-recourse factoring agreements in order to support our working capital and liquidity needs. In the twelve months ended March 31, 2020, we sold €164.3 million of outstanding trade receivables on a non-recourse basis. See "*—Off-Balance Sheet Arrangements*." Following the completion of the Transactions, we intend to primarily rely on our operating cash flow as well as our Revolving Credit Facility to satisfy our working capital and other liquidity needs. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*" In addition, on or after the Acquisition Closing Date, we also expect to enter into the BPM Facility, which would provide for term loans in an aggregate principal amount €30.0 million. See *"Description of Certain Financing Arrangements—Rolled Target Indebtedness—BPM Facility.*"

Historically, our principal uses of cash have been, and we expect that our principal uses of cash following the Transactions will be, to fund capital expenditures, provide working capital, meet debt service requirements, fund our add-on acquisitions, including funding the payment of earn outs and the exercise of certain put and call options related to our acquired subsidiaries that have minority shareholders. We believe that the current cash flow from operating activities and existing bank financing will provide us with sufficient liquidity to meet current working capital needs.

As a result of the COVID-19 pandemic, we may experience a reduction in revenue collection from customers in some of the most affected industries, such as the leisure travel and cruise industry, and a corresponding increase in bad debt and cancellation, which may negatively impact our liquidity position. However, we believe that the diversified nature of our activities across our six industry verticals, coupled with our current liquidity position, available amounts for borrowing under the Revolving Credit Facility as well as borrowings under certain bilateral and other credit lines that we expect will remain outstanding following the completion of the Transactions, will mitigate the potential risk that could arise from the COVID-19 pandemic. In the three months ended March 31, 2020 we recorded positive cash flow generation and revenue collection levels. In addition, while we continue to closely monitor the evolution of the pandemic and any effects it may have on the Group's financial condition and liquidity position, we believe that our current sources of liquidity and cash levels will be sufficient to fund capital expenditures, provide working capital, and meet our debt service requirements following the Transactions. See "*Summary—Recent Developments—COVID-19 Update,*" "*Risk Factors—Risks Related to Our Business and Industry—Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations*" and "*Industry and Market Overview—Preliminary considerations on the impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets.*"

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows as of and for the periods indicated:

	As of and for the Year Ended December 31,			As of and for the Three Months Ended March 31,	
(€ million)	**2017***	**2018**	**2019**	**2019****	**2020****
Total cash flow from / (used in) operating activities	88.6	92.3	86.4	(21.9)	42.0
Total cash flow from / (used in) investing activities	(93.3)	(25.1)	(43.8)	(9.3)	(7.1)
Total cash flow from / (used in) financing activities	(100.4)	(96.7)	(28.5)	8.5	25.3
Change in cash and cash equivalents	**(105.2)**	**(29.5)**	**14.1**	**(22.7)**	**60.1**
Cash and cash equivalents at beginning of the period	312.2	207.0	177.5	177.5	191.9
Cash and cash equivalents from merger	0.0.	0.0	0.3	—	—
Cash and cash equivalents at end of the period	**207.0**	**177.5**	**191.9**	**154.8**	**252.0**

* 2017 numbers are taken from the comparative column in the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018, which were not covered by the audit report included therein. See "*Presentation of Financial and Other Information*."

** Unaudited.

Total cash flow from / (used in) operating activities

Total cash flow from / used in operating activities changed by €63.9 million, or more than 100.0%, from an outflow of €21.9 million for the three months ended March 31, 2019 to an inflow of €42.0 million for the three months ended March 31, 2020. This change was primarily due to positive net working capital movements for the three months ended March 31, 2020, as a result of our increased focus on cash collection and improvement in DSOs following the outbreak of the COVID-19 pandemic. The three months ended March 31, 2019 recorded an increase in working capital versus the year ended December 31, 2018, while the three months ended March 31, 2020 recorded a decrease in working capital versus the year ended December 31, 2019. The change in total cash flow from / used in operating activities was also driven by an increase in Adjusted EBITDA for the three months ended March 31, 2020 as a result of an increase in sales volumes.

Total cash flow from operating activities decreased by €6.1 million, or 6.6%, from an inflow €92.5 million for the year ended December 31, 2018 to an inflow of €86.4 million for the year ended December 31, 2019. Cash flow from operating activities declined despite an increase in Adjusted EBITDA as a result of an increase in net working capital mostly driven by an increase in volumes in our Public Administration industry vertical where our public sector clients typically have longer payment terms when compared to our private sector clients.

Total cash flow from operating activities increased by €3.9 million, or 4.1%, from an inflow of €88.6 million for the year ended December 31, 2017 to an inflow of €92.5 million for the year ended December 31, 2018. This change was primarily due to an increase inAdjusted EBITDA as a result of the impact of the full consolidation of Infogroup into our results as well as the positive performance in our Finance and Energy & Utilities industry verticals as well as management's increased focus on timely cash collection, through cash collection incentive plans. Our cash flow from operating activities in the year ended December 31, 2018 also benefitted from favorable payment terms of Infogroup's main clients, which are financial institutions.

Total cash flow from / (used in) investing activities

Total cash flow used in investing activities decreased by €2.2 million, or 23.7%, from an outflow €9.3 million for the three months ended March 31, 2019 to an outflow of €7.1 million for the three months ended March 31, 2020. This decrease in outflow was primarily due to a decrease of purchases of investments in subsidiaries.

Total cash flow used in investing activities increased by €18.7 million, or 74.5%, from an outflow of €25.1 million for the year ended December 31, 2018 to an outflow of €43.8 million for the year ended December 31, 2019. This increase in outflow was primarily due to an increase of purchases of investments in subsidiaries combined with a marginal increase in our capex spending, approximately €2.0 million increase.

Total cash flow used in investing activities decreased by €68.2 million, or 73.1%, from an outflow of €93.3 million for the year ended December 31, 2017 to an outflow of €25.1 million for the year ended December 31, 2018. This decrease in outflow was primarily due to a decrease of purchases of investments in subsidiaries, while our capex remained constant in absolute terms In the year ended December 31, 2017, we closed the acquisition of Infogroup at the end of December, which resulted in the full purchase price coming due at that time. Infogroup was the largest acquisition that we completed in the year ended December 31, 2017.

Total cash flow from / (used in) financing activities

Total cash flow from financing activities increased by €16.8 million, or more than 197.6%, from an inflow of €8.5 million for the three months ended March 31, 2019 to an inflow of €25.3 million for the three months ended March 31, 2020. This increase in inflow was primarily due to an increase in new borrowings.

Total cash flow used in financing activities decreased by €68.4 million, or 70.9%, from an outflow of €96.9 million for the year ended December 31, 2018 to an outflow of €28.5 million for the year ended December 31, 2019. This decrease in outflow was primarily due to a decrease in the repayment of borrowings.

Total cash flow used in financing activities decreased by €3.5 million, or 3.5%, from an outflow of €100.4 million for the year ended December 31, 2017 to an outflow of €96.9 million for the year ended December 31, 2018. This decrease in outflow was primarily due to a decrease in the amount of interest paid in connection with financing activities.

Net Working Capital

Net Working Capital represents customer contract assets, inventory, deferred contract costs, trade receivables and other current assets *less* trade payables, other current liabilities, current tax payables and current provision for risks and charges. Net Working Capital is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures*."

Change in Net Working Capital represents the difference in Net Working Capital as of the specified date compared to Net Working Capital as of the comparable prior date. Our Net Working Capital results are affected by seasonality, with our Net Working Capital levels typically peaking in September of each year, reflecting our revenue generation pattern, before gradually declining to their low point in December of each year.

Trade receivables are initially recognized at transaction price, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method (i.e., the rate that equalizes the current value of expected cash flows and the carrying amount at the time of initial recognition), suitably adjusted to take account of any write-downs, by recording a doubtful debt provision. Trade receivables are included in current assets, with the exception of those falling due more than twelve months after the reporting date, which are classified as non-current assets. At each reporting date, financial assets, with the exception of those measured at fair value with a contra-entry recognized in the income statement, are analyzed to assess the existence of any possible impairment indicators. IFRS 9 requires the application of a model based on expected losses on receivables. We apply the simplified approach to estimate expected losses along the receivable useful life and take into account its historical experience of losses on receivables, adjusted to reflect current conditions and estimates of future economic conditions. For trade receivables recorded at amortized cost, when an impairment has been identified, the relevant value is measured as the difference between the asset book value and the present value of expected future cash flows, discounted at the original effective interest rate. This value is recognized in the income statement. Receivables sold under our uncommitted framework non-recourse factoring agreements, pursuant to which the final transfer to the transferee is carried out in relation to risks and benefits of factored receivables, are derecognized from the financial statements upon their transfer. See also "*—Off-Balance Sheet Arrangements*."

Deferred contract costs represent only costs considered 'incremental' and recoverable through the economic benefits of the contract, in accordance with IFRS 15. Costs that cannot be classified as 'incremental', such as costs incurred independently and not related to the acquisition of the contract, are expensed in the income statement.

We mitigate our exposure to the risks relating to the collection of receivables through constant monitoring of our commercial exposure and the collection times of receivables, which we track excluding the effect of non-recourse sales of receivables. For example, we have a dedicated team focused on receivables collection and our sales representatives' variable bonus includes DSO annual targets. See "*Quantitative and Qualitative Disclosures Regarding Market and Financial Risks—Credit Risk*." Excluding the effect of non-recourse sales of receivables, our DSOs in trade receivables decreased from 251 days in the year ended December 31, 2017 to 230 days in the year ended December 31, 2018, primarily as a result of our more focused approach to collecting outstanding invoices starting in 2018. Excluding the effect of non-recourse sales of receivables, our DSOs in trade receivables slightly increased to 239 days during the year ended December 31, 2019, reflecting an increase in public sector clients, which typically have longer payment terms than our private sector clients. Excluding the effect of non-recourse sales of receivables, our DSOs in trade receivables were 229 days in the three months ended March 31, 2020.

The following table summarizes our Change in Net Working Capital as of the dates and for the periods indicated:

(€ million)	As of December 31,			As of March 31,	
	2017	2018	2019	2019*	2020*
Customer contract assets	150.3	167.3	200.8	186.8	219.1
Inventories	0.2	0.1	0.1	0.2	0.1
Deferred contract costs	0.0	23.3	22.2	23.2	21.1
Trade receivables	550.8	568.1	590.5	569.6	528.1
Other current assets	72.6	60.3	52.0	62.9	53.1
Current assets	**773.9**	**819.1**	**865.6**	**842.7**	**821.4**
Trade payables	(318.1)	(337.6)	(367.5)	(335.0)	(364.1)
Other current liabilities	(153.3)	(170.1)	(172.2)	(152.2)	(154.0)
Current tax payables	(4.3)	(4.1)	(5.5)	(10.1)	(7.0)
Current provisions for risks and charges	(20.3)	(17.1)	(15.1)	(16.3)	(13.4)
Current liabilities	**(496.0)**	**(528.9)**	**(560.3)**	**(513.7)**	**(538.5**
Net Working Capital	**278.0**	**290.2**	**305.2**	**329.0**	**282.9**
Change in Net Working Capital	—	12.2	15.0	—	(46.1)

* Unaudited.

Net working capital decreased by €46.1 million, or 14.0%, from €329.0 million as of March 31, 2019 to €282.9 million as of March 31, 2020. This decrease was primarily due to a significant focus on trade receivables collection in the three months ended March 31, 2020 coupled with an increase in trade payables. This decrease was also driven by the write down of trade receivables from Sicilia Digitale S.p.A and Regione Sicilia completed during the year ended December 31, 2019. Our Net Working Capital as of March 31, 2020 included €33.7 million from Sicilia Digitale S.p.A and Regione Sicilia, compared to €59.9 million as of March 31, 2019 (see "*Business—Legal Proceedings*"). We did not experience any slowdown in our ability to collect cash from our customers in the three months ended March 31, 2020.

Net working capital increased by €15.0 million, or 5.2%, from €290.2 million as of December 31, 2018 to €305.2 million as of December 31, 2019, which resulted from an increase in customer contract assets and trade receivables as of December 31, 2019 as compared to December 31, 2018. This increase was primarily due to the growth in our revenues as of December 31, 2019 as well as to the impact of the four acquisitions completed during the year, which together more than offset the the write down of trade receivables from Sicilia Digitale S.p.A and Regione Sicilia completed during the year ended December 31, 2019, and the increase in trade payables as of December 31, 2019 as compared to December 31, 2018. Our Net Working Capital as of December 31, 2019 included €33.7 million from Sicilia Digitale S.p.A and Regione Sicilia, compared to €59.9 million as of December 31, 2018 (see "*Business—Legal Proceedings*").

Net working capital increased by €12.2 million, or 4.4%, from €278.0 million as of December 31, 2017 to €290.2 million as of December 31, 2018. This increase was primarily due to the growth in our revenues as of December 31, 2018, which resulted in increased customer contract assets and trade receivables as of December 31, 2018 as compared to December 31, 2017 as well as to the impact of the full consolidation of Infogroup into our consolidated results, which together more than offset the increase in trade payables as of December 31, 2018 as compared to December 31, 2017. Our Net Working Capital as of December 31, 2018 included €59.9 million from Sicilia Digitale S.p.A and Regione Sicilia, no change compared to December 31, 2017 (see "*Business—Legal Proceedings*").

Capital expenditure

Capital expenditure consists of investments in property, plant and equipment, plus investments in intangible assets. Historically, our capital expenditure has been primarily related to investments in tangible assets, such as ordinary maintenance capital expenditures for our data centers. Capital expenditures excludes the consideration paid by us for the acquisition of other businesses. See "*Key Factors Affecting Results of Operations and Financial Condition—Acquisitions.*" We finance our capital expenditure with cash flow from operating, investing and financing activities. Capital expenditures is not a measure of net income, operating income, operating performance or liquidity presented in accordance with IFRS. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance or liquidity measure that is calculated in accordance with IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Measures.*"

The table below sets forth our capital expenditure based on cash flows for the periods indicated:

(€ million)	Year Ended December 31,			Three Months Ended March 31,	
	2017	2018	2019	2019	2020
Intangible assets	3.1	2.5	5.9	1.5	2.9
Property, Plant and equipment	8.0	8.6	7.2	2.7	1.8
Capital expenditure	**11.1**	**11.1**	**13.1**	**4.2**	**4.7**

Capital expenditure decreased by €0.5 million, or 11.9%, from €4.2 million for the three months ended March 31, 2019 to €4.7 million in the three months ended March 31, 2020. This decrease was primarily due to lower capital expenditure for tangible assets reflecting lower investments in our data centers. The increase in investments in intangible assets relates to additional investments in our proprietary solutions in our Health industry vertical.

Capital expenditure increased by €2.0 million, or 18.0%, from €11.1 million for the year ended December 31, 2018 to €13.1 million for the year ended December 31, 2019. This increase was primarily due to higher capital expenditure for intangible assets and lower capital expenditures for tangible assets reflecting a decrease in investments in our data centers.

Capital expenditure remained stable at €11.1 million for the year ended December 31, 2018 as compared to €11.1 million for the year ended December 31, 2017. Overall, capital expenditures remained constant as a percentage of our revenues.

As of the date of this Offering Memorandum, we expect our capital expenditure for the year ending December 31, 2020 to be marginally higher than those incurred in the year ended December 31, 2019 as a result of a prudent approach to activities relating to our Managed Services, for which we expect customer demand to increase significantly, as well as a result of the research and development costs that we expect to capitalize in 2020. See "*Forward-Looking Statements*."

Contractual Obligations

The following table summarizes certain categories of our contractual obligations and commitments owed to third parties (excluding any interest payments under such contractual obligations and commitments), by period, as of March 31, 2020 on an as adjusted basis after giving effect to the Transactions. For further information, see "*Description of Certain Financing Arrangements*" and "*Capitalization*."

(€ million)	Less than 1 year	1-5 years	More than 5 years	Total
Notes offered hereby[1]	—	—	640.0	640.0
Lease obligations[2]	24.5	146.7	72.3	244.5
Other financing[3]	10.6	—	—	10.6
Total[4]	**35.1**	**146.7**	**712.3**	**895.1**

(1) Represents the aggregate principal amount of the Notes offered hereby, assuming an issuance at par for both Fixed Rate Notes and Floating Rate Notes.

(2) Represents long-term leases for business premises and other fixed assets.

(3) Represents the aggregate principal amount of Rolled Target Indebtedness.

(4) The Revolving Credit Facility matures three months prior to the maturity of the Notes and because such facility consists of revolving indebtedness, which may be drawn and repaid from time to time, such indebtedness is not included in this table. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*" We currently expect the Revolving Credit Facility to be undrawn on the Acquisition Closing Date.

Off-Balance Sheet Arrangements

Certain of the contracts with our customers include a product lifetime warranty. As a consequence, in case of product defects we could incur warranty costs and be required to make indemnity payments to our customers.

Indemnification accruals in relation to these contracts are based on estimates that can change over time. In addition, we have entered into certain off-balance sheet exchange rate and guarantee arrangements. In addition, we also provide certain guarantees with respect to our participation in tender offers, the entry into certain contracts and in relation to office rental agreements. Such guarantees amounted to €380.7 million as of December 31, 2019. We also provide bank sureties in favor of other companies which amounted to €12.0 million as of December 31, 2019, as well as other performance bonds and other commitments relating our participation in public tenders (so called "bid bonds"), which amounted to €63.0 million as of December 31, 2019. See "*Risk Factors—Risks Related to Our Business and Industry—We may be unable to obtain the performance bonds, securities or guarantees we need to compete in certain public tenders or to enter into certain contracts with our private customers, and due to our failure to perform our obligations, counterparties may enforce performance bonds we have posted.*"

Certain minority shareholders of some of our subsidiaries have contractual arrangements with the Group pursuant to which they may, following the exercise of put options under such contractual arrangements and subject to certain conditions and timing requirements, require the Group to purchase their minority stake. As of March 31, 2020, the aggregate amount of our liabilities in connection with such put options amounted to €37.2 million. The fair value of such liabilities was determined based on the terms of the contractual arrangements with our relevant minority shareholder.

Historically, we have engaged in the sale of receivables on the basis of uncommitted framework non-recourse factoring agreements in order to support our working capital and liquidity needs. Typically, receivables factored through non-recourse factoring transactions are written off from our financial statements upon their transfer, as all risks and benefits of the factored receivables are irrevocably transferred to the transferee. In the twelve months ended March 31, 2020, we sold €164.3 million of outstanding trade receivables on a non-recourse basis.

Quantitative and Qualitative Disclosures Regarding Market and Financial Risks

Overview

In the ordinary course of business, we are exposed to credit risk, liquidity risk, interest rate risk and capital risk. Our risk management strategy is aimed at minimizing potential effects on our financial performance. Risk management is centralized in our Finance Department.

This discussion does not address other risks to which we are exposed in the ordinary course of business, such as operational risks. See "*Risk Factors*."

Credit Risk

Credit risk is derived from customer receivables, taking the form of the possibility that the counterparties to our contracts will not fulfill their contractual obligations. To mitigate credit risk related to commercial counterparties we have put in place procedures aimed at ensuring that product sales are made to customers who are deemed reliable due to, for example, their high creditworthiness. Credit risk is further mitigated through constant monitoring of our commercial exposure and the collection times of receivables. For example, we have a dedicated internal team focused on receivables collection; our sales representatives' variable bonus includes DSO annual targets in order to fully align the corporate structure with such targets. We believe our credit risk mitigation techniques are effective. Our clients include leading players in their reference market sectors. As such, we believe that there is limited risk that such operators will face insolvency, bankruptcy or other administrative procedures. Any financial assets that we consider of doubtful recoverability are appropriately allocated to the bad debt provisions. As of March 31, 2020 we recorded allowances for bad debts with respect to receivables from customers of €54.4 million. As of December 31, 2017, 2018 and 2019, we recorded allowances for bad debts with respect to receivables from customers (excluding SISEV) of €46.4 million, €39.3 million and €54.4 million, respectively. See "*—Net Working Capital.*" For more information please refer to the notes in our Financial Statements included elsewhere in this Offering Memorandum.

Liquidity Risk

Liquidity risk is the risk associated with the ability to meet commitments arising from financial liabilities. Prudent management of the liquidity risk arising from normal operations requires the maintenance of an adequate level of cash and the availability of funds obtainable through an adequate amount of credit lines. We further mitigate liquidity risk by ensuring that we have access to different sources of financing, with different banking institutions and that there are no significant concentrations of liquidity risk on the side of both financial assets and the sources of financing. To further mitigate any liquidity risk, we have implemented a cash pooling approach within the Group. Group's cash is swept to a single central bank account held by the Target on a daily basis.

Interest Rate Risk

Interest risk consists of exposure to the interest rate risk that arises from the fact that currently most of our debt bears floating interest rates. Fluctuations in market interest rates may affect our results, indirectly affecting costs and returns of financing and investment transactions. After completion of the Transactions, we will continue to be exposed to interest rate risk in connection with our financial debt that remains outstanding, the Floating Rate Notes and any borrowings under the Revolving Credit Facility, which is expected to be undrawn as of the Acquisition Closing Date. The strategy that we follow for this type of risk-mitigation is one that aims at mitigating interest rate risk while optimizing debt cost.

Accounting Policies

Revenue recognition

Revenues

The amount that the Group recognizes as revenue reflects the consideration to which it is entitled as a result of the transfer of goods and/or services to customers. The Group recognizes revenue when it fulfills the underlying contractual performance obligations, or when it transfers control of the goods or services to the customer, depending on the nature of the services provided and the type of contract. In particular, in the context of (a) annual and multi-year projects under deliverable-based contracts (approximately 47% of revenues), revenues are recognized over a period of time based on the percentage of costs accrued or the period underlying progress of the service provided; (b) consulting services provided under resource-based contracts (approximately 10% of revenues), revenues are recognized based on the number of working days and the price list established in the contract; (c) the provision of services tied to the occurrence of specific events under service-based contracts (approximately 23% of revenues), revenues are recognized at a point in time upon the occurrence of certain events underlying the supply of the Group's services; and (d) assistance and maintenance services provided under assistance and maintenance-based contracts (approximately 20% of revenues), revenues are recognized periodically on the basis of the provisions included in the relevant contract. For more information, see note 4.22 of our audited consolidated financial statements as of and for the year ended December 31, 2019 included elsewhere in this Offering Memorandum.

Other revenues

Other revenues mainly refer to revenue from grants for research projects financed by national bodies and by the European Union. as well as "other income" which comprises revenues of various types, including re-invoicing of fringe benefits to employees for corporate SIM cards for mobile telephones.

Grants are recognized when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met. When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate. When the grants relate to an asset, for example plant, they are recorded in the income statement under revenues rather than as an adjusted item of the book value of the asset for which it was obtained. Subsequently, the useful life of the asset for which the grant was obtained is taken into account using the deferral technique. Public grants obtained as compensation of expenses and costs already incurred or with the intention to provide immediate financial aid to the entity without which there would be future costs, are recorded as income in the year in which they become payable.

Critical accounting policies

The preparation of financial statements requires our management to apply accounting principles and methods which, in certain circumstances, are based on difficult and subjective assessments and estimates based on historical experience and assumptions that are considered reasonable from time to time and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements and other information provided in this Offering Memorandum. The final results of the financial statement items for which the aforementioned estimates and assumptions have been used may differ from those reported in the financial statements due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based.

The areas that require more subjectivity on the part of management in preparing the estimates, and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data, are briefly described below.

Impairment of assets

In accordance with IFRS, the Group assesses whether the goodwill has suffered impairment each year, or more frequently when there is an indication that the unit may be impaired. The recoverable amount of the cash generating units has been calculated based on calculations of the value in use. These calculations require the use of estimates.

Purchase Price Allocation (IFRS 3).

The recognition of business combination transactions implies the allocation of the payment of acquisition to the assets and liabilities of the acquired company, which are evaluated at fair value. The possible difference, if positive, is recorded as goodwill; if negative, it is recorded in the income statement. In the process of assigning amounts to certain asset items, the Group applied estimates to determine their fair value. To determine fair value, the Group used valuation methods, including discounted cash flow analysis. To calculate the present value of future cash flows, it is necessary to formulate some assumptions regarding uncertain issues, including management's expectations regarding:

- Marginality of customer portfolios;
- The probability of renewal of contracts with customers; and
- The selection of the discount rate that reflects the risk.

The Group's estimates are based on assumptions deemed reasonable, but uncertain and foreseeable. These assessments require the use of management assumptions, which may not reflect unpredictable events.

Deferred tax assets

The recoverability of deferred tax assets is subject to the achievement of sufficiently large future taxable profits for the absorption of the aforementioned tax losses or to the competition of the deferred taxation connected to the other deferred tax assets. Significant management judgments are required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that deferred tax assets have been recorded on past tax losses for the portion estimated recoverable against future taxable income shown in the updated strategic plans of the Group, also as a consequence of the fact that the tax losses may be carried forward indefinitely.

Fair value of options on non-controlling interest

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the options, was determined using the discounted operating cash flow method using the plan of the subsidiary involved.

The exercise prices are determined on the basis of the agreements contained in the option agreements signed by the Group.

INDUSTRY AND MARKET OVERVIEW

In this section, we rely on and refer to information regarding the overall Italian ICT market as well as the Italian IT Services and Software & Solutions markets in which we operate and compete. The market and industry data and forecasts provided below are based on our beliefs and estimates, internal company reports and diligence reports prepared by parties in connection with the Transactions. Unless otherwise stated, the source of all industry metrics, estimates and projections in this section is Anitec-Assinform report "Il Digitale in Italia 2019." Market share and other industry data and information presented in this section, and in particular the estimated growth rates and other industry-related forecasts, were prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, and none of such data has been updated to account for the ongoing impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets. For further information, see "Forward-Looking Statements," "Industry and Market Data" and "Risk Factors—Risks Related to Our Business and Industry—Market share information, market growth forecasts and other company and third-party industry data and information presented in this Offering Memorandum were prepared prior to the outbreak of the COVID-19 pandemic and may be inaccurate." This section includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms.

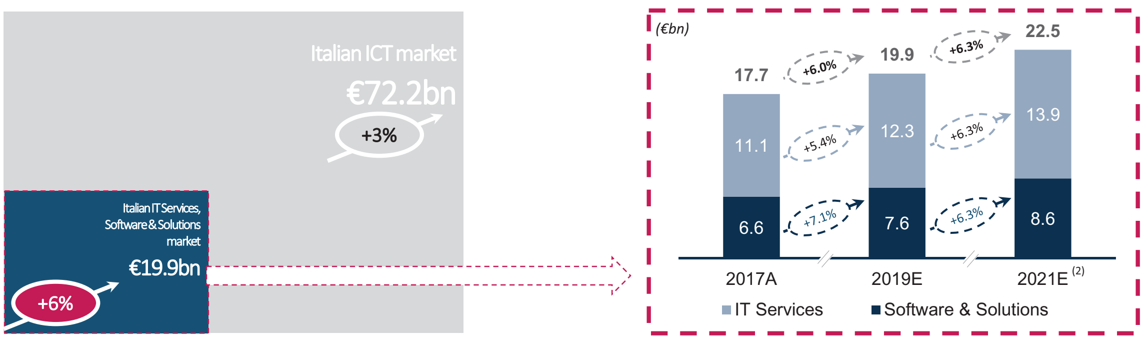
Overview

Rapid digitalization and continuous progress in technology such as cloud computing, analytics, big data, artificial intelligence and machine learning are transforming both the private and public sectors. In an effort to adapt to and manage this change in a highly complex and deeply connected environment, enterprises are also rapidly evolving to bring IT solutions closer to the core of their business operations. In this context, ICT Services and, particularly, IT Services and Software & Solutions players are fundamental in supporting such enterprises through the ongoing digital transformation cycle, thereby assisting them to further optimize internal processes, generate efficiencies and gain a competitive advantage over their competitors. Demand for IT transformation services in Italy is expected to grow at a CAGR of 6.3% between 2019 and 2021, according to Anitec-Assinform.

We operate in two of the four markets that comprise the broader Italian ICT market. According to Anitec-Assinform, the overall Italian ICT market was estimated to be worth approximately €72.2 billion in 2019, which represents a growth of 2.5% as compared to the previous year, and is expected to further expand in the following two years, at rates of 2.8% in 2020 and 3.1% in 2021. This market is comprised of the following four key markets: Devices and Systems, Software & Solutions, IT Services and Digital Content & Online Advertising. Within the overall Italian ICT market, we address the large and relatively faster growing Software & Solutions and IT Services markets, estimated to be worth approximately €19.9 billion in 2019 and consisting of:

- *Software & Solutions*, which includes System Software (*e.g.*, operating system software such as Windows, Linux and Mainframe OS), Middleware Infrastructure Software (*e.g.*, software for network management, storage management and system management) and Application Software (*e.g.*, Horizontal software for ERP, CRM, BI/BA, Unified Communications, and Vertical software focused on certain industries, including the healthcare, finance and banking industries); and
- *IT Services*, which includes services for software application development and maintenance, system integration, technology consulting, training and technical support, cloud computing services (including SaaS) and ICT infrastructure management services.

The following chart sets forth the estimated size of the Italian ICT market in 2019 in terms of IT spend and the estimated growth of our addressable markets within such market for the period between 2017 and 2021.

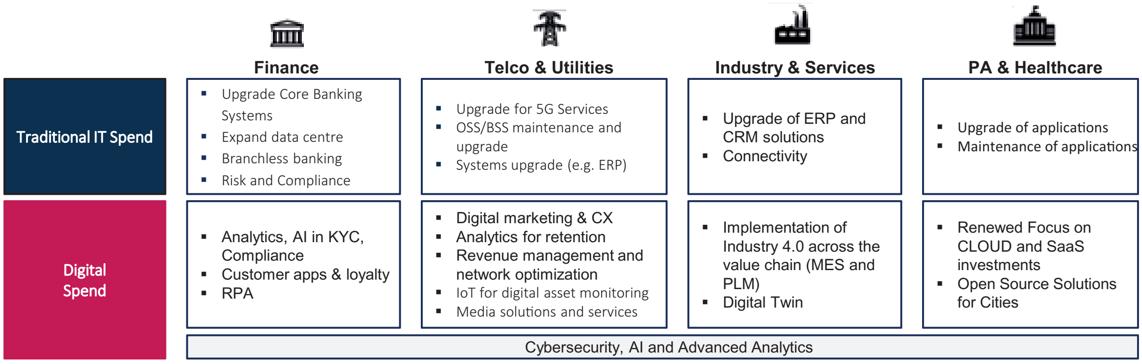


Source: Anitec-Assinform 2019.

Large and attractive addressable markets

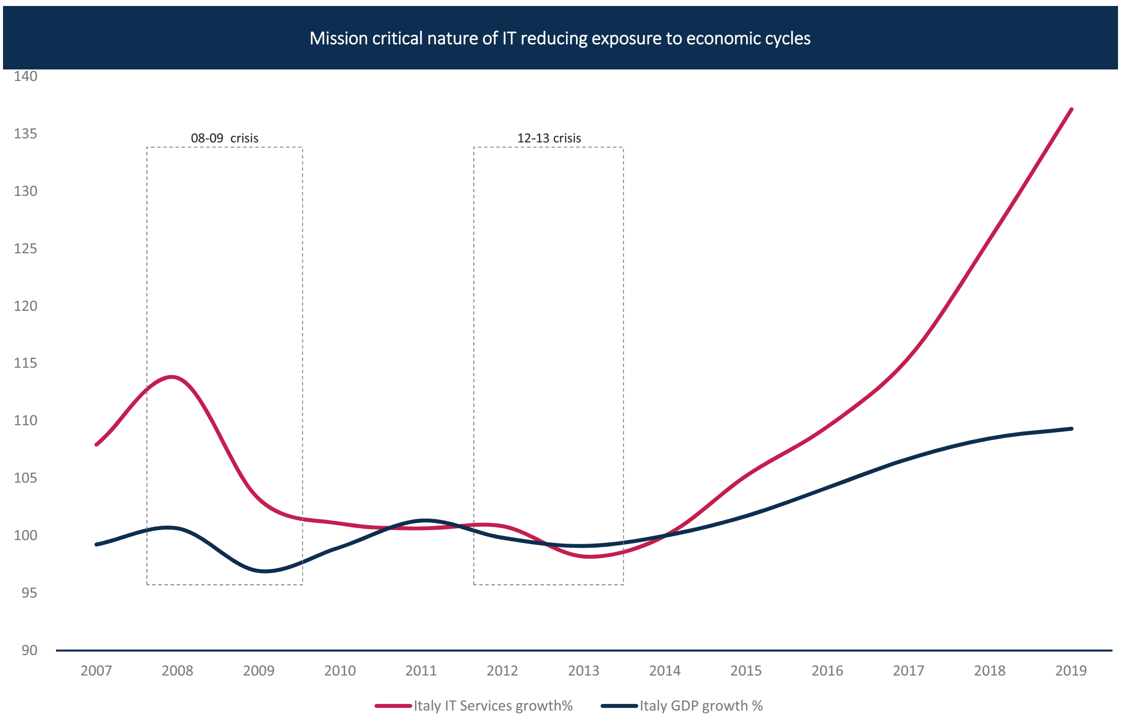
Our primary addressable markets, the IT Services and Software & Solutions markets in Italy, were estimated to be worth €19.9 billion in 2019, and were forecasted to grow by 6.0% in 2019 (in line with the 2018 growth rate of 6.1%) and by 6.3% in the period between 2019 and 2021. Within such markets, the IT Services and Software & Solutions segments were expected to grow by 5.7% and 6.5%, respectively, in 2019 as compared to 2018. Growth across both segments remains underpinned by increasing digitalization and IT spend on upgrade, security and resilience of existing systems by enterprises across all sectors.

The following illustration sets forth some examples of IT Services and Software & Solutions spend across key sectors.



Source: Management Analysis.

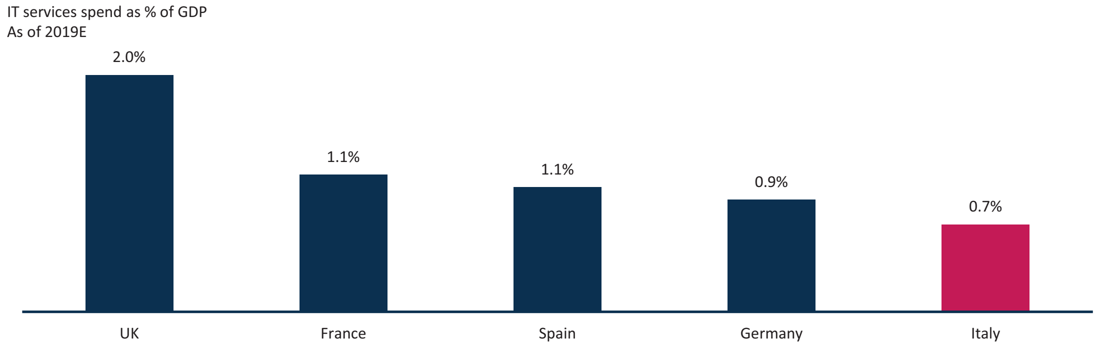
In recent years, the structural underpenetration of the Italian IT Services market has resulted in the Italian IT Services spend increasingly outperforming overall GDP growth. In particular, while in the period between 2007 and 2014, Italian IT Services spend and Italian GDP respective growth were substantially correlated; from 2015 to 2019, IT Services spend increasingly outperformed the Italian GDP growth. The following chart sets forth a comparison between the Italian IT Services spend growth and the Italian GDP growth for the period between 2007 and 2019.



Source: World Bank, Management Analysis of Italian IT Services growth sourced from third-party data, rebased to 100 on 2014.

The main drivers for recent and future growth of the IT Services and Software & Solutions markets are:

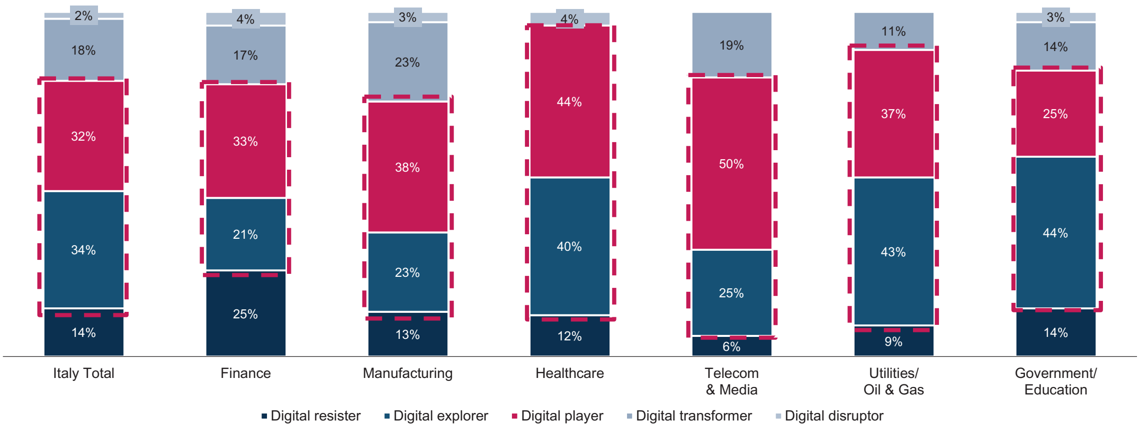
- *Penetration of IT Services:* IT Services spend in Italy as a percentage of GDP is estimated to be approximately 0.7% in 2019, which is significantly lower compared to the other major European countries, indicating a degree of structural underpenetration in IT Services in Italy. This underpenetration remains a key driver for the underlying IT Services market growth as both private and public sector customers continue to increase their IT investments to remain competitive and fill the technology gap that currently exists between Italy and the other main EU countries. The following graph shows the estimated level of IT spend in 2019 in selected other European countries.



Source: IMF and Management Analysis.

- *Increasing complexity and mission critical nature of IT Services:* IT Services have been gaining importance as a business critical investment, often with a direct impact on revenue generation, with IT spend increasingly being distributed across multiple departments within the enterprise and no longer being the prerogative of a centralized IT function or Chief Information Officers ("CIOs").
- *Digitalization driven by government:* Increased Italian government focus on, and support of, digitalization, driven by the intention to keep up with the other main European countries and to improve the competitiveness of Italian companies and the efficiency of the Italian public administration network through IT investments (*e.g.*, through the "Industria 4.0" plan and the National Plan for Innovation 2025).
- *Digitalization driven by enterprises:* A majority of Italian businesses, consistently across all industries, appear to be ready to adopt digital technologies, having already identified and in certain cases implemented digital transformation initiatives. The following illustration shows the readiness of Italian businesses to adopt digital technologies.

Where do you think your organization is positioned across the following 5 stages of digital transformation maturity?



Survey conducted on 268 respondents. Categories defined as per below:

- *Digital register: Business and IT digital initiatives are disconnected and poorly aligned with enterprise strategy, and not focused on customer experiences*
- *Digital explorer: Business has identified a need to develop a digitally enhanced, customer-driven business strategy, but execution is on a project basis. Progress is not predictable nor repeatable*
- *Digital player: Business—IT goals are aligned at enterprise level around the creation of digital products and experiences, but not yet focused on the disruptive potential of digital initiatives*
- *Digital transformer: Integrated, synergetic business—IT management disciplines deliver digitally enabled product/service experiences on a continuous basis*
- *Digital disruptor: enterprise is aggressively disruptive in the use of new digital technologies and business models to affect markets. Ecosystems awareness and feedback is a constant input to business innovation.*

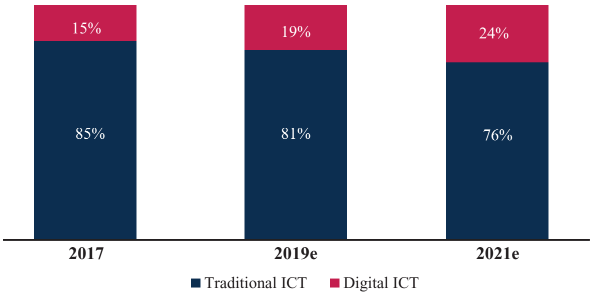
Source: Third-party market intelligence provider.

The digital wave

Enterprise spend on digital technologies has grown significantly in the recent years as companies increasingly adopt, use and manage emerging technologies across their business divisions and geographies. Transition from legacy solutions to digital technologies can take various forms and be multifaceted, from the deployment of cloud technologies to enable employees to work remotely during the COVID-19 pandemic, to robotic process automation, which represents a fundamental element to free up resources and increase efficiency. Other examples of digital solutions include digital twin technologies based on data, AI and cybersecurity, which enables a safe and secure infrastructure and operating environment. In this context, IT Services players with (i) skilled and well-trained workforce, (ii) a track-record of efficiently handling complex digital projects and other IT related issues, (iii) strong local presence and (iv) proximity to customers have assumed a mission critical role in supporting enterprises through every stage of their digital transformation journey.

Digital technologies are forecasted to represent approximately 19% of the overall Italian ICT market in 2019, and such market share is expected to increase to approximately 24% by 2021, driven by the high growth potential of certain technologies, such as cloud and AI.

The following illustration shows the contribution of digital technologies and traditional technologies, respectively, to the overall Italian ICT market in 2017, and how such contribution is expected to change in 2019 and 2021.



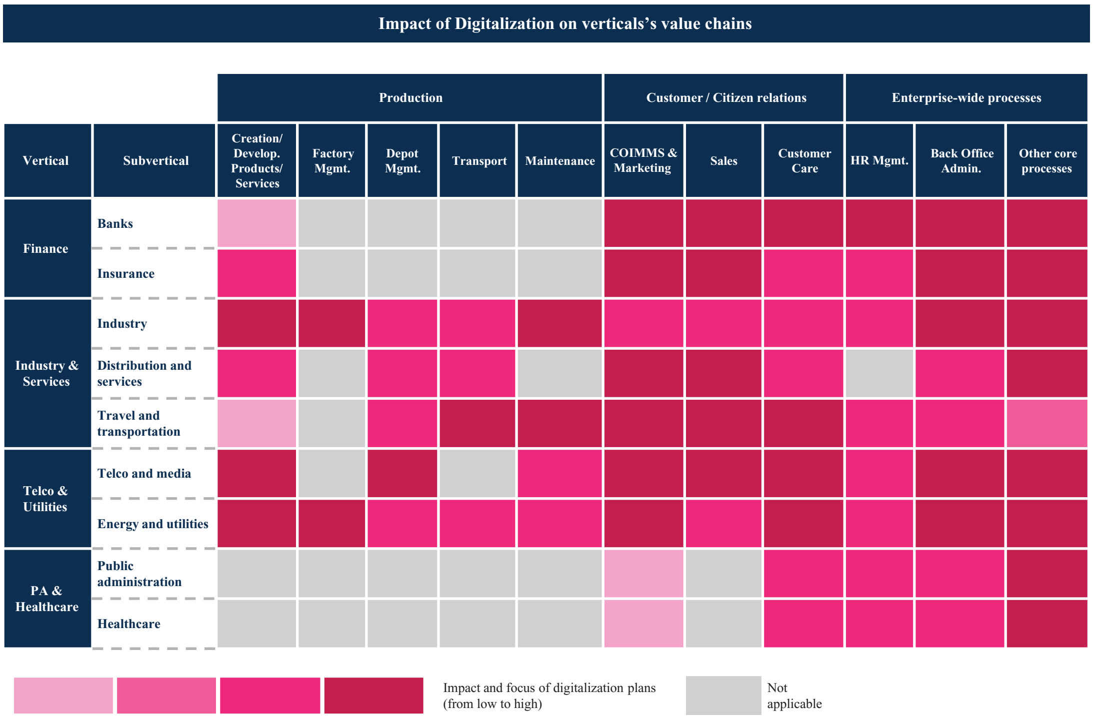
Source: Anitec-Assinform 2019.

Digitalization trends across organizations and sectors

Digitalization is transforming the way enterprises and other organizations operate, conduct their business and engage with their stakeholders, including, customers, employees, banks, tax collection agencies and the public administration generally. Almost every market and sector is exposed to the long-term trends of digitalization, though with different levels of intensity and focus.

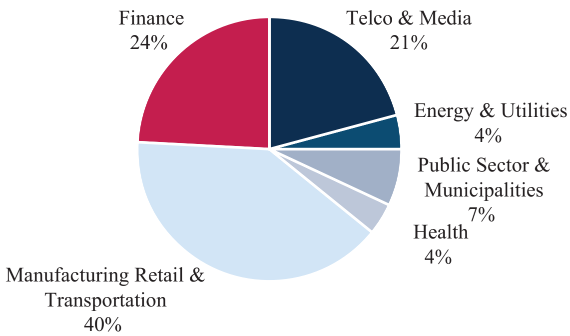
IT Services players such as ourselves, with strong domain expertise, digital know-how and in-depth awareness of client processes, are key to facilitating such transformation. Over the years, we have successfully supported our customers in the realization of enterprise-wide digital transformation projects across various sectors.

The following illustration shows the intensity levels and focus of digital transformation plans for Italian companies across four key sectors.



Source: Anitec-Assinform 2018.

The following chart sets forth the estimated distribution of the digital spend in Italy across key sectors in 2019.



Source: Anitec-Assinform 2019.

Set forth below is a brief outline of key focus areas across the main industry sectors within the Italian economy.

Finance

The Italian ICT market for banks was estimated to be worth €7.9 billion in 2019, increasing by 4.5% compared to the previous year. Consistently with a global trend, Italian banks have been reshaping and redefining their business models, with digitalization representing one of the key pillars in this process. Banks are making significant investments in digital technologies (especially with respect to AI and Mobile), mainly to improve their relationship with customers (by tailoring and further expanding their offer) and to manage the increasing competitive pressure of large tech and fintech companies. While continuing to spend on the maintenance of their legacy systems, Italian banks are at the same time investing in redesigning their IT architecture in order to re-engineer and enhance their core applications, in order to be able to provide their customers with new, innovative and user-friendly digital banking services. As banking services are highly regulated, IT providers in this sector are required to develop an in-depth local regulatory expertise.

The Italian ICT market for insurance companies was estimated to be worth €2.1 billion in 2019, increasing by 4.7% compared to the previous year. Similar to banks, insurance companies heavily rely on digital investments to improve the relationship with their customers, and enlarge and tailor their product and services offering. In addition, digital technologies enable insurance companies to improve their risk mitigation and regulatory compliance processes, with a particular focus on big data analytics and AI.

Industry & Services

The Italian ICT market for the Industry sector was estimated to be worth €8.3 billion in 2019, increasing by 5.2% compared to the previous year. The acceleration of IT spend in this sector is partly driven by the adoption by the Italian government of the so called "Impresa 4.0" digitalization plan, aimed at supporting digitalization among enterprises (especially SMEs), including through fiscal benefits and other advantages for companies investing in digital (with particular focus on blockchain, AI and mobile). According to an IPSOS survey (referenced in the Anitec-Assinform report), in 2018, 68% of Italian companies in the Industry & Services sector had already implemented or were about to implement projects related to the aforementioned digitalization plan. The value of digital IT spend generated in 2018 by projects supported by Impresa 4.0 was €2.6 billion (or approximately 33% of the total spending in the industry), representing an increase of 18.7% compared to the previous year. The largest growth was in industrial systems, due to the increasing impact and importance of industrial IoT, which has enabled companies to automate their processes, thus enhancing productivity and accelerating the time to market. IT operators play a fundamental role in this transition, actively supporting companies to benefit from IoT by implementing such technology in their connectivity, security, application development and other systems.

The Italian ICT market for the Services sector was estimated to be worth €4.7 billion in 2019, increasing by 4.8% compared to the previous year. In the Services sector, companies have increasingly been creating departments dedicated to digital initiatives, whereas previously only one-off and standalone digital projects used to be undertaken, demonstrating the pervasive impact of digitalization in the Services sector. For example, suppliers are using data analytics to re-engineer procurement and supply processes, while digital advertising and personalization of offerings to customers is being driven by AI and specialized customer analytics.

The Italian ICT Travel & Transportation market was estimated to be worth €2.5 billion in 2019, increasing by 3.7% compared to the previous year. AI and IoT are the most disruptive technologies in this market: robotic process automation combined with big data analytics and machine learning allow improvement and optimization of processes, while digital platforms and mobile apps improve and personalize customer experience.

Telecommunication and Media

The Italian ICT Telecom and Media market was estimated to be worth €8.7 billion in 2019, increasing by 1.6% compared to the previous year. Operators in this sector are pursuing opportunities to generate new revenue streams in order to offset secular declining revenue trend and reduce costs to mitigate pressure on margins due to historically low price environment. In particular, new digital services such as mobile payments are implemented to improve customer experience and generate new revenue streams, and IoT / M2M solutions are used to enable new functionalities from mobile, thus reducing customers churn through the ability to predict churn. In addition, players have been increasingly offering personalized solutions and further investing in social media, CRM, big data analytics, AI and mobile solutions.

Energy and Utility

The Italian ICT Energy and Utility market was estimated to be worth €1.9 billion in 2019, increasing by 4.8% compared to the previous year. Companies in this market are focusing their investment in IT products primarily in order to save costs and improve efficiencies. Examples of digital projects in this sector include using IoT to track sanitation vehicles on maps and to detect levels of filling of waste collection bins, as well as the control and monitoring of gas plants and networks for predictive maintenance. Investments in the sector are largely supported by the abovementioned Impresa 4.0 digitalization plan adopted by the Italian government, and are generally aimed at achieving greater internal efficiency, as well as at expanding the services offered, thus resulting in an important competitive advantage in light of the envisaged transition to a free market environment by 2021.

Public Administration and Healthcare

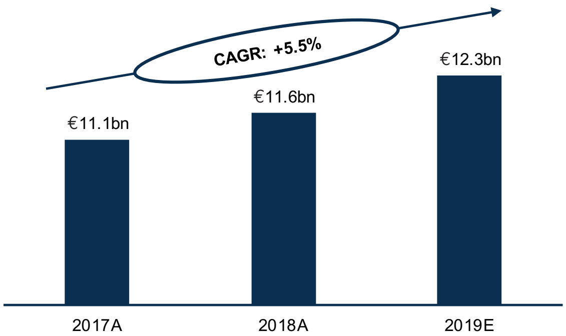
The Italian ICT Public Administration market was estimated to be worth €3.1 billion in 2019, increasing by 0.6% compared to the previous year. Over the course of the next two years, IT spend in the sector is expected to grow at a similar rate, as the spending review plan adopted in March 2019 by the Italian government provides for a general reduction in public administration expenditure to be achieved through the implementation of digital transformation solutions. In this context, the Italian government 2019-2021 Three-Year Plan ("Piano Triennale 2019-2021") envisages, among others, the implementation of a digital transformation plan by the public administration, some of the key priorities of which include the dissemination of digital services, the adoption of the so called "cloud-first" approach (whereby the public administration is always required to prioritize cloud solutions in defining new projects) and the interoperability and security of information systems.

The Italian Healthcare sector is still lagging behind the rest of Europe in the digitalization process. Approximately only 1% of the total €113 billion expenditure on healthcare in 2017 was dedicated to ICT and digital solutions, compared to an average of approximately 2% to 3% in the European Union, with some Northern European countries reaching peaks of 4%. Some of the modern technologies expected to drive digitalization in Healthcare are VR, robotics, 3D printing and cognitive computing. In particular, AI applied to health related data, genomics and research could be key to increase affordability of medical treatments and personalized drugs, as also highlighted by the European Commission. Given the specificities of the Italian Healthcare system, characterized by the strong presence of public sector entities, as well as the complexity of the regulatory framework, strong relationships with local and central administrations, language skills and deep understanding of regulation are key to achieving strong market position in this sector.

The Italian IT Services market

The Italian IT Services market has been growing steadily over the past three years to reach an estimated value of €12.3 billion in 2019, increasing by 5.8% compared to the previous year. The growth of the IT Services market is mainly driven by the need for many Italian businesses and public administration to leverage new technology solutions in order to maintain competiveness in the national and international markets, especially when competing with companies that consider digital innovation a strategic element for growth. The ongoing digitalization process is driving innovation of processes and systems, as well as a broader reshape of the organizational structures and redesign of business processes in order for companies and public sector operators to adapt to the new needs of their customers.

The following graph sets forth the size of the Italian IT Services market for 2017, 2018 and the estimated size of such market for 2019.



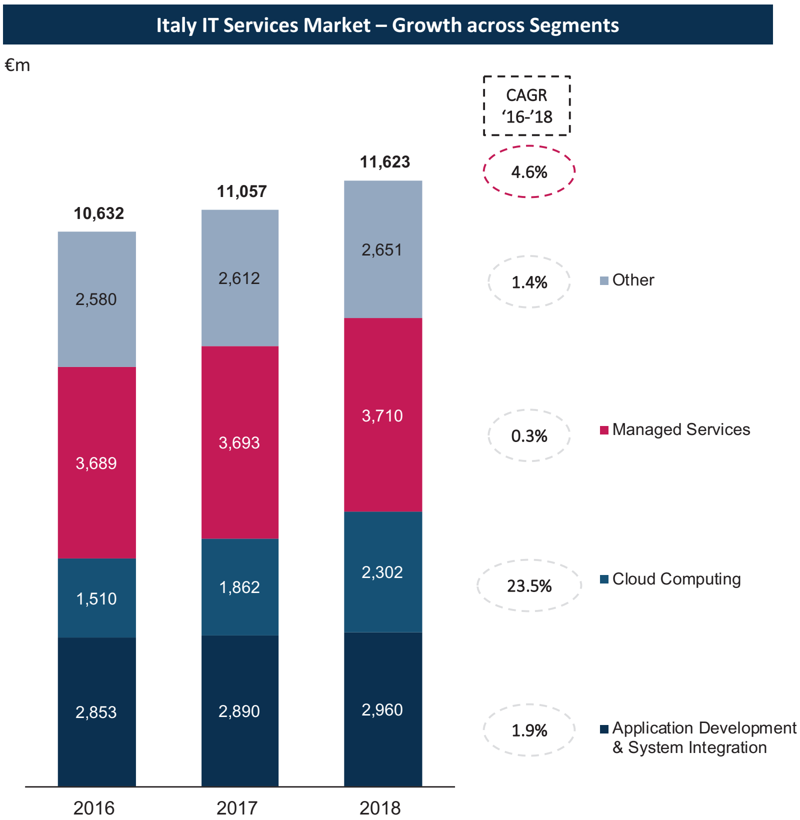
Source: Anitec-Assinform 2019.

The Italian IT Services market can be segmented into four major service segments:

- *Application Development and System Integration*, which consists of designing or modernizing applications through new digital technologies and development methods;
- *Managed IT*, which includes, among others, the management of existing applications and data center services;
- *Cloud Computing*, which relates to both public and hybrid cloud computing services (including IaaS, PaaS and SaaS); and
- *Other services*, which consists of helpdesk services and other technical support functions.

We operate in the Application Development, Cloud Computing and Managed IT service segments.

The following chart provides a breakdown of the Italian IT Services market by the abovementioned service segments for the period between 2016 and 2018.



Source: Anitec-Assinform 2019.

Growth in Application Development and System Integration services has benefited from a widespread effort towards innovative infrastructure and application projects, focusing on the adoption of "Digital Enablers", including cloud, cybersecurity, AI, as well as wearables, IoT and blockchain. In 2018, one of the major investment areas at the infrastructural level was Security, given the increased demand for services aimed at complying with the GDPR. Italian companies have also been facing additional infrastructure challenges, including the management of Hybrid IT Services (i.e. services that require both on premise and outsourced IT infrastructures), which increases the need for governance, planning and security of both physical and virtual resources, in-house or at the premises of the service providers.

Within the Italian IT Services market, the cloud services segment outperformed the other segments between 2016 and 2018, growing at a CAGR of 23.6%. Migration to cloud platforms now seems to be an inevitable process, involving both businesses and public administrations. Most organizations are embracing the cloud, and most businesses are expected to be assessing the possibility and opportunity to turn to cloud resources. Cloud services, while potentially more expensive at the early stage of their adoption than operating own data center infrastructure, can become cost-effective solutions as organizations familiarize with them and learn how to use and operate them more efficiently. IT Services players remain active and key to helping customers navigate through their migration to the cloud. From choosing best migration approach to the choice of cloud environment (whether AWS, Microsoft Azure, Google Cloud or others), IT Services players can offer end-to-end customized offerings and services enabling a secure and reliable migration to cloud environments. Furthermore, IT Services organizations will continue to work with clients, helping them configure and maintain their cloud environments on an ongoing basis.

Read across the Italian IT Services market and the other main European markets

The Italian IT Services market is the fifth largest IT Services market in Europe in terms of IT spend, after the United Kingdom, Germany, France and Spain, and is the fastest growing within the set of larger European economies. The following two graphs present the estimated IT spend in Western Europe in 2019 and the estimated growth in IT Services expenditure between 2018 and 2021 in the same countries.

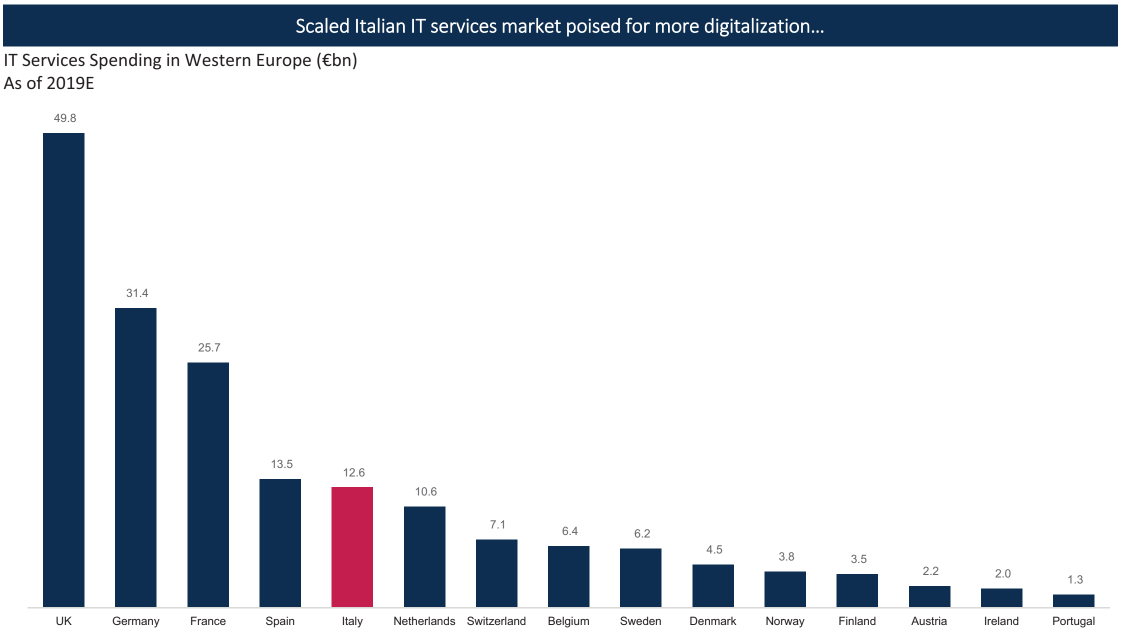
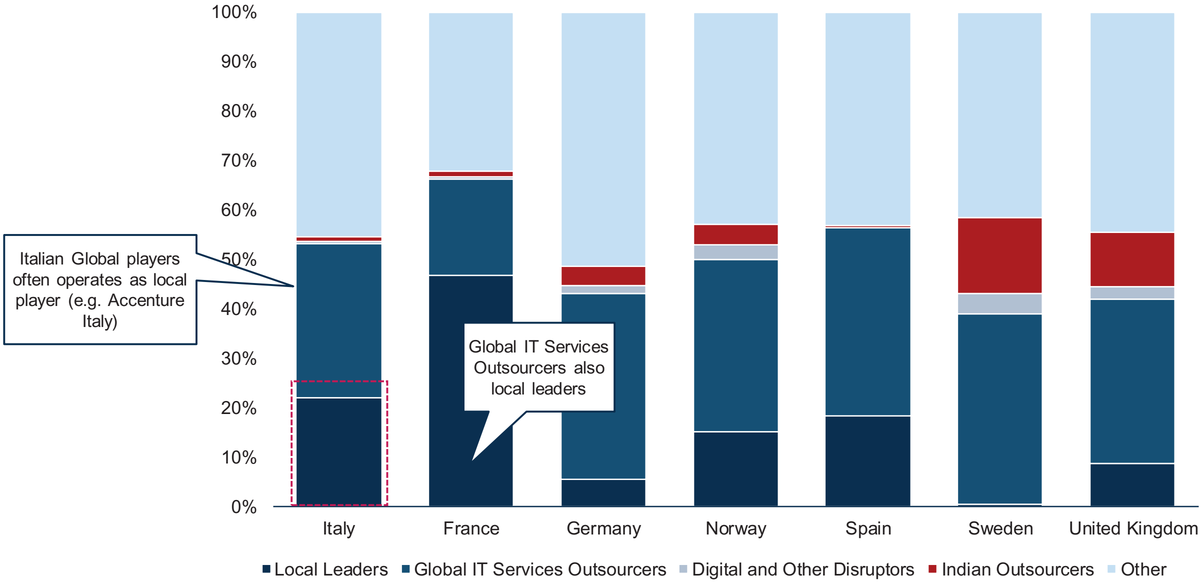


Chart created by Engineering based on Gartner research. Source: Gartner, Inc., Forecast: IT Services, Worldwide, 2018-2024, April 2020. Update. Excludes BPaaS and Consulting. US/EUR FX rate assumed 0.9.

Furthermore, the Italian IT Services market presents some unique characteristics that differentiate it from other European IT Services markets, and constitute significant barriers to entry for potential competitors, particularly those operating in other European markets, including:

- Italian identity and more generally the knowledge of the Italian language, which represents an important advantage of domestic players *vis-à-vis* foreign competitors;
- in-depth knowledge of local market dynamics and regulatory environment;
- strong historical relationships with the customers, coupled with the complexities and high costs normally associated with switching IT service provider; and
- proximity to customers, which allows IT service providers to be responsive to their customers' needs.

The combination of these characteristics makes it difficult for foreign competitors, including large Indian IT outsourcers, to enter the Italian IT Services market, and represents a significant competitive advantage for local players, as demonstrated by the relatively high proportion of revenues they generate. The following chart shows the market share of each type of IT Services provider in key European markets in 2019.

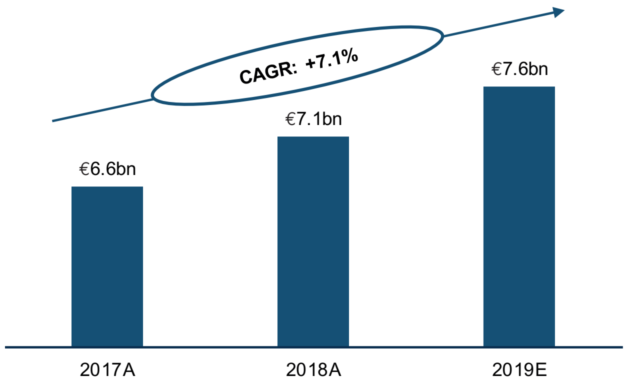


Source: Management Analysis based on third party data.

Notes: Local Leaders include: Accenture, BAE Systems and Capita in the United Kingdom, Atea and Evry in Norway, Acando in Sweden, Ibermatica, Indra and Informatica El Corte Ingles in Spain, Alten, Atos, Capgemini, Econocom, GFI Informatique, Groupe Open, Sopra Steria, Thales, Aubay, Devoteam and Neurones in France, All for One Steeb, Fiducia & GAD IT, Datagroup and Cancom in Germany, Engineering, Reply, Almaviva and Techedge in Italy.

Italian Software & Solutions market

The Italian Software & Solutions market was estimated to reach €7.6 billion in 2019, increasing by 6.5% compared to the previous year. Similarly to the IT Services market, such growth has been driven by Italian companies' and public administration's efforts to upgrade and modernize their business processes by utilizing the latest global software solutions, as well as by investing in local solutions customized for Italy. The following chart presents the size of the Italian Software & Solutions market in terms of revenues for the period between 2017 and 2019.



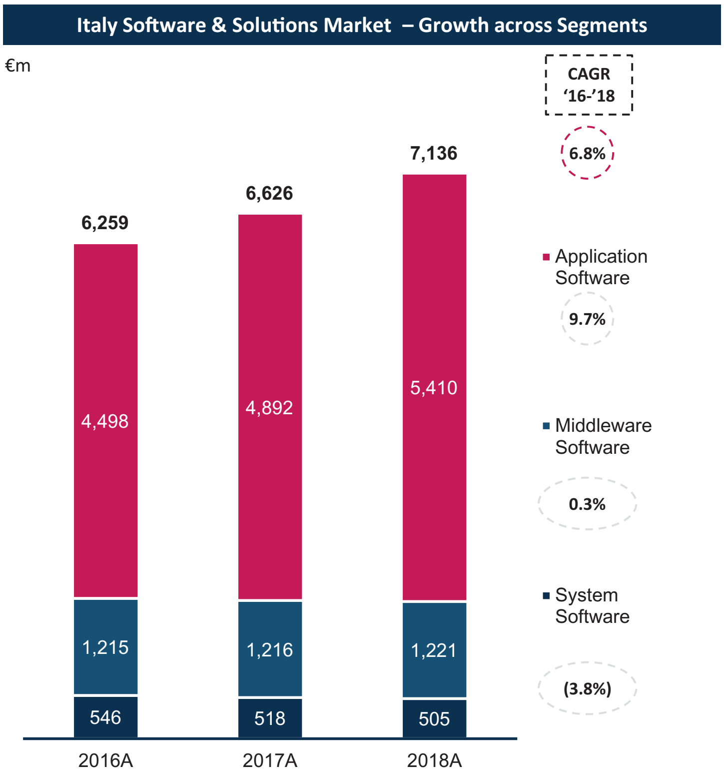
Source: Anitec-Assinform 2019.

The Italian Software & Solutions market can be divided into the following segments:

- *Application Software*, which can be further segmented into vertical focused industry solutions, horizontal software solutions, including ERP and CRM software, and various Digital application software, including cloud, Web, IoT;
- *Infrastructure Software (or Middleware),* which includes IT management and governance tools, infrastructure management, storage, security and information management, development and integration platforms; and
- *System Software,* which includes operating system and network operating system software.

We focus on the Application Software segment, with a suite of vertical focused industry solutions and horizontal software solutions catering to the Italian enterprise market.

In the period between 2016 and 2018, the Application Software segment grew at a faster pace than the others, with the Middleware remaining flat and the Software System segment slightly contracting. The following chart sets forth a breakdown of the Italian Software & Solutions market by segment for the period between 2016 and 2018.



Source: Anitec-Assinform 2019.

The growth in the overall Application Software segment has been driven by the increasing demand for IoT solutions, which grew by more than 20% between 2016 and 2018, due to the increased penetration of such technology across different industries. In particular, IoT solutions are used in smart manufacturing, as part of various services offered to citizens (including with respect to environment, health, safety, transport and smart cities), as well as in an increasing number of industries related to the production of goods and services (such as agri-food, smart retail, tourism, construction and energy). Web platforms have also contributed significantly to the growth of the Application Software segment (growing by 13.9% between 2016 and 2018), due to the increasingly central role of digital channels for sales and marketing activities.

The trend of horizontal and vertical software solutions has remained stable due to the continuously sustained demand for migration to cloud services. Cloud SaaS represents a widely used technology, especially for non-core applications and the adoption of SaaS technology for core platforms is increasing. In addition to economic and financial advantages, customers are attracted to Cloud SaaS technologies to benefit from the improved speed of implementation, the possibility of upgrading solutions, scalability and improved allocation of capital and operating costs. The market for ERP software has been stable in the last few years (with operators primarily focusing on maintaining and upgrading existing platforms), while new investments are aimed at integrating new modules aimed at managing processes that are not adequately covered today. Initiatives aimed at replacing ERP platforms are guided by the need to standardize processes and reduce levels of complexity.

AI technology is being applied in CRM software, as it allows marketing divisions to better identify potential customers and engage them by leveraging on relevant tailored information through any available communication channel. At the same time, the introduction of virtual assistants and chatbots is increasing the efficiency and productivity of customer service activities. AI is also being applied in SCM (Supply Chain Management), where the most innovative supply chain players already use machine learning, among others, to predict the demand from different customer segments, or to assign daily tasks.

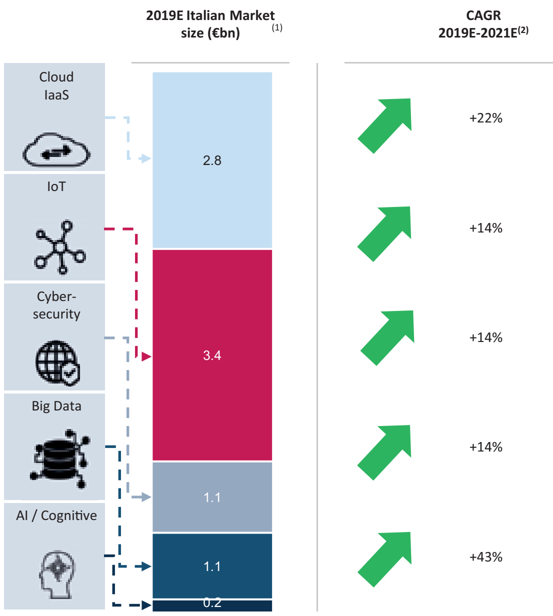
Market for "Digital Enablers"

Strong growth trends are forecasted with respect to the "Digital Enablers" technologies market in Italy, which spans across all segments of the broader Italian ICT market, including IT Services and Software & Solutions. Cybersecurity, IoT and Mobile Business are the most developed segments within this market and continue to have a significant impact on investment plans and budgets of companies across all industries. In addition, cloud technology has strengthened its role as key driver to modernization of IT architectures in companies of any size across all sectors.

The Cloud Computing segment continued to grow with a record increase of 23% in 2019 compared to the previous year, reaching a total size of €2.8 billion in terms of revenue. Excluding relatively small private cloud components, the cloud market in 2018 was mainly comprised of IaaS services and SaaS platforms, representing 52.1% and 42.6% of the market, respectively, which demonstrates the growing adoption of such technologies in the context of core business applications, and not only for single productivity applications. The crucial role of cloud solutions as an enabling driver of the digital transformation is demonstrated by the results of a survey carried out in 2018 by Anitec-Assinform among the CIOs of the top 100 Italian companies, which showed that 83.3% of the participants to the survey considered the cloud as the infrastructure platform application of choice for the adoption of digitalization solutions.

According to the same survey, 48% of the CIOs had on their agenda IoT related projects. The Italian IoT market in 2019 was estimated to be worth €3.4 billion in terms of revenues, increasing by 14.5% compared to the previous year. Major IoT investments include predictive industrial maintenance and asset management, traceability through the supply chain and logistics management. There is also a strong growth of products enabling voice commands, home automation and security.

The following chart presents an estimated breakdown by relevant digital enabling technology of the Italian Digital Enablers market in 2019 and the expected growth of each such technology in the period between 2019 and 2021.



Source: Anitec-Assinform 2019. Note (1) Market size of selected digital enabling technologies (excluding Mobile, Wearable technologies, Web Platforms and blockchain), within the overall Italian ICT market.

Within the Digital Enablers market, the cybersecurity segment was estimated to grow by 13.2% to €1.1 billion in 2019 compared to the previous year. All components of this segment demonstrated significant estimated growth in 2019 compared to the previous year: Security Managed Services and Cloud Security was estimated to grow by 13.6% to €440.0 million, Other Cyber Security Services (which includes System Integration, Security & Risk Assessment and Penetration Test services, and training of human resources) was estimated to grow by 11.5% to €427.0 million, Software Solutions was estimated to grow by 14.4% to €128.0 million, Hardware was estimated to grow by 15.6% to €80.1 million, and Consulting was estimated to grow by 16.3% to €63.0 million.

In 2019, the big data solutions segment was estimated to be worth €1.1 billion, recording a growth of 16.1% compared to the previous year. In 2018, than 80% of this segment is represented by the adoption of both on-site and cloud software solutions, including database, tools for acquiring, processing, visualizing and conducting data analysis, and applications for specific business processes, as well as related services, including consulting, integration, development and implementation services. The remaining approximately 20% of the big data solutions segment is attributable to spending on hardware systems, especially for storage and networking devices. The main applications of such technologies focus on two areas:(i) the creation of customer data platforms that support customer analytics and profiling activities for targeted campaigns and (ii) the collection and analysis of data from machinery (industrial companies), water networks and distribution of gas and electricity, in order to carry out predictive maintenance activities and optimize network management. In the near future, the implementation of machine learning algorithms is expected to allow the transition from a predictive analysis of events to a prescriptive one, in which the real value, extrapolated from the data, will automatically trigger actions, with even more tangible advantages.

The significant expansion of the AI segment in Italy, which was estimated to grow by 55.6% to €210 million in 2019, compared to the previous year, is mainly driven by a widespread use of AI solutions in large companies, with a high level of pervasiveness at sectoral and functional levels. AI applications currently include voicebot and chatbot systems, voice recognition and natural language understanding and processing solutions that optimize customer services by directly interacting with customers through the recognition of human language. Other applications of such disruptive technology include biometric applications, image recognition and video analysis technologies; machine and deep learning algorithms allow the creation of artificial neural networks, giving machines the ability to learn in automatic and function similarly to a human brain, without being specifically programmed to do so.

Competitive landscape in the Italian IT Services market

The Italian IT Services market is highly fragmented, with large local Italian players such as ourselves and Reply, and Italian businesses of global players such as Accenture and IBM, enjoying strong market positions across verticals followed by a long tail of smaller local providers.

The following chart presents the market share of the main players within the Italian IT Services market in US$ for 2019, in particular for Implementation and Application Managed Services.

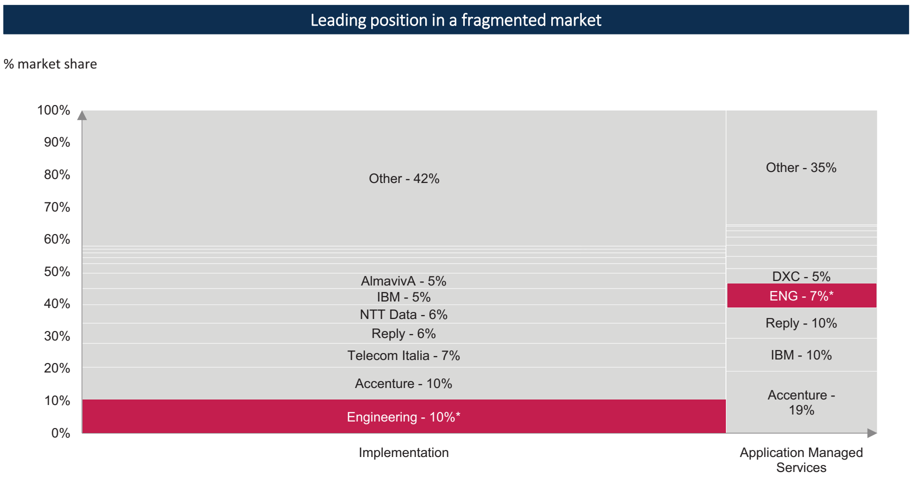
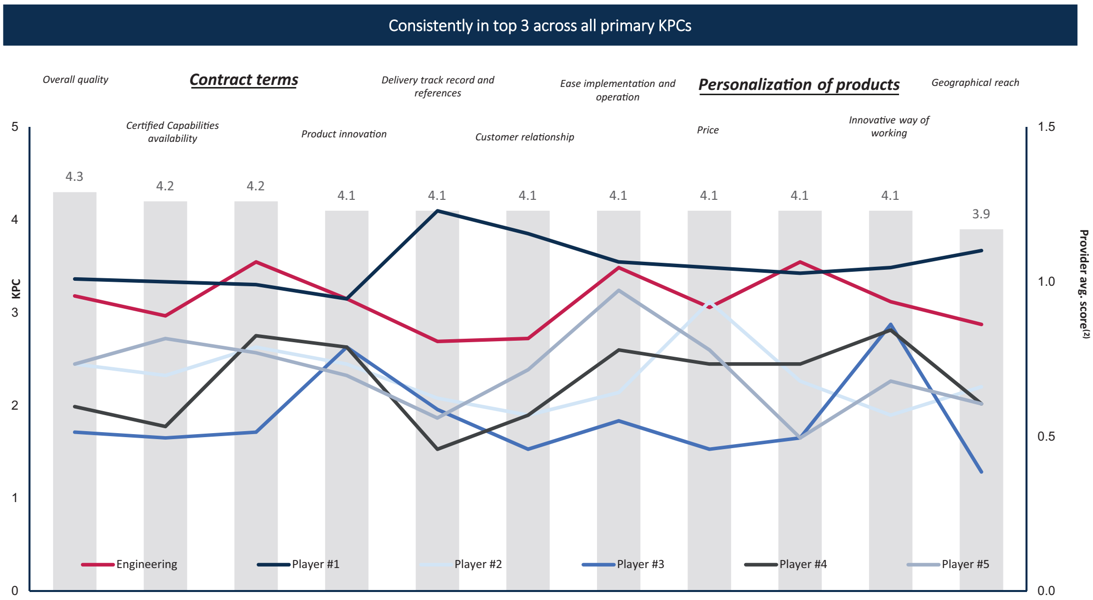


Chart created by Engineering based on Gartner research. Source: Gartner, Inc., Market Share: IT Services, Worldwide 2019, April 2020.
**Engineering and ENG appear as Gruppo Engineering in the source research.*

The next chart shows the results of a survey made in 2019 on key purchasing criteria and the associated ranking of the Group and its main competitors for each criterion.



Proprietary survey (KPC) | Notes: (1) Average provider score computed as 3 points for being ranked first, 2 points for being ranked second, 1 point for being ranked third, divided by the number of customers.

In 2019, we were the largest provider of Implementation services in Italy, with a market share of 10% in terms of revenues in US$, according to Gartner. Additionally, in 2019, we also showed a solid competitive positioning within Application Managed Services in Italy, with a market share of 7% in terms of revenues only behind international IT Services players such as Accenture (19% market share) and IBM (10% market share), according to Gartner. Our entrenched customer relationships, knowledge of local markets and complex IT environments has helped us compete and gain market share from other IT Services players. Breadth and quality of our offering is highly appreciated by our customers, as demonstrated by the abovementioned proprietary survey on key purchasing criteria that shows that we ranked among the top three players for all of the main purchasing criteria, and are consistently recognized as one of the best partners in terms of product personalization and contract terms in Italy. In addition, in 2019, we ranked first or second in terms of US$ revenue across most of the industry verticals in which we operate.

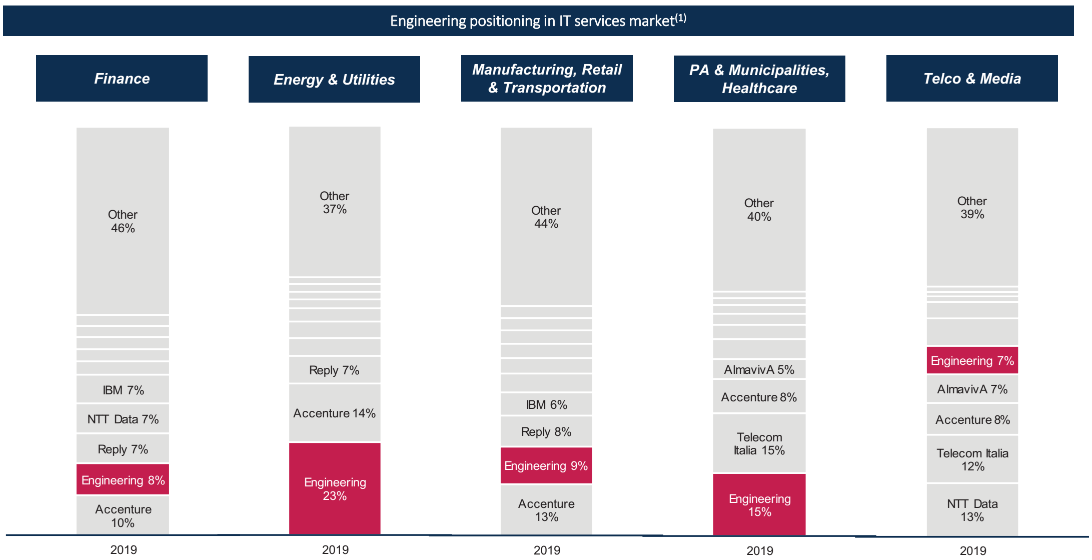


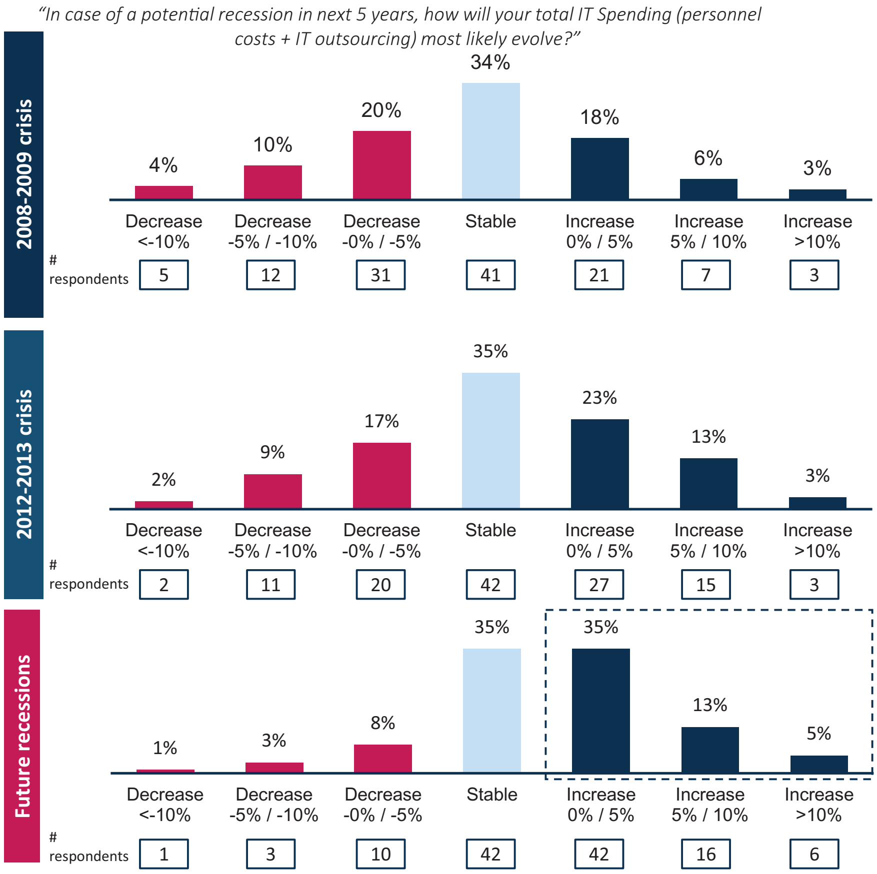
Chart created by Engineering based on Gartner research. Source: Gartner Inc. Market Share: IT Services, Worldwide 2019, April 2020.

(1) Market includes only Implementation. Selected verticals include: Finance-Banking & Securities and Insurance; Energy & Utilities — Utilities; Industry & Services — Manufacturing & Natural Resources, Retail and Transportation; PA & Municipalities, Healthcare — Education, Government and Healthcare; Telco & Media—Communications, Media & Services.

Preliminary considerations on the impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets

Assessing the effect of the COVID-19 pandemic on the Italian IT Services and Software & Solutions market growth in the near term remains a significant challenge. However, a preliminary visible effect is that businesses have been strongly incentivized, as a result of the lockdown and social distancing measures adopted by the Italian government, to invest in their technology infrastructure and offerings. This trend supported our strong performance during the first few months of 2020 (see *"Summary—Recent Developments—Recent Trading*.") and is expected to create lasting opportunities for IT Services players as the public and private sectors are expected to accelerate digitalization. IT players that are able to proactively support customers in adapting to the "new normal" by expanding their digital transformation offerings are expected to be able to navigate the economic turmoil.

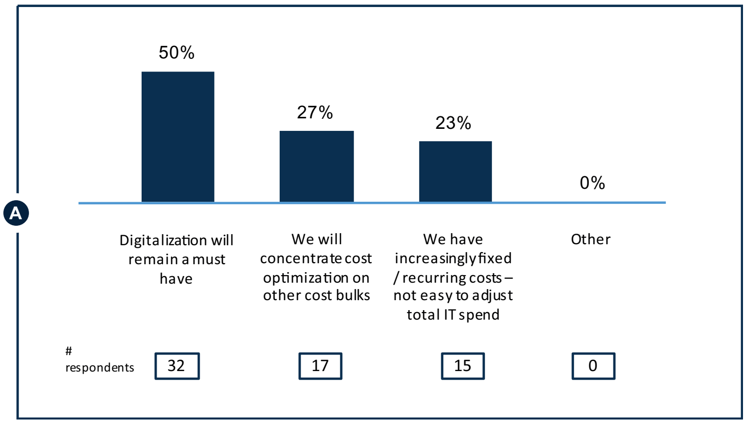
We believe the increasing complexity and mission critical nature of IT Services, coupled with the increased reliance on IT Services providers for digitalization solutions to be implemented across the various business units and divisions within businesses and other organizations, has reduced the overall exposure of the IT Services and Software & Solutions markets to economic cycles and downturns. According to a survey that we conducted in 2019, 53% of all respondents agreed they would increase their IT spend in a recessionary environment, this percentage has grown from 27% in 2008-2009 and 39% in 2012-2013 crisis underpinning the importance and mission critical nature of IT spend today.



Source: Proprietary Survey, 2019.

Focusing on the respondents in the subset "A" in the above figure, approximately 35% of survey respondents anticipate up to 5% increase in their IT Spend, followed by 13% respondents expecting 5%-10% increase. Around 5% of respondents plan to embark on major digital transformation projects and increasing their IT budgets to above 10% during a recessionary environment. Organizations cite ongoing digitalization, cost efficiency driven IT outsourcing and engagement of third party experts, and recurring nature of the IT spend, as key drivers of IT spending growth during a market downturn.

"What are the main drivers for IT spending growth during recession?"



Source: Proprietary Survey, 2019.

The following chart sets forth certain new digitalization trends that have emerged in the Italian IT Services market in response to the COVID-19 emergency, detailed by vertical.

Verticals	Where will the industry invest?	Opportunities
Telco & Media	▪ Unified communications, mobile app development, data center, cloud, security	▪ Increase in demand for remote work collaboration and communication tools ▪ Demand for better network connectivity
Public Sector & Municipalities	▪ Cloud services, website content management and other public communications infrastructure. Mission critical applications — e.g., public safety, emergency management, disease surveillance, online/digital public services, data and analytics, and AI	▪ Amplifies need for robust and scalable IT infrastructure and strong data and analytics capabilities, and need for citizen services
Healthcare	▪ Telehealth/virtual care, AI tools, data and analytics	▪ Usage of telehealth and technologies that leverage remote assistance and will mitigate the fallout ▪ AI suite of tools that can quickly detect, track and diagnose conditions, and solutions that monitor locational outbreaks in this situation can be leveraged ▪ Virtual care offerings are an attractive option, making it high in demand ▪ Interest in crisis management platforms will increase
Manufacturing, Retail & Transportation	▪ Supply chain software, sourcing strategies, supply chain data and analytics, AI/ML, RPA, unified communications, ecommerce and mobile app development, cloud, security ▪ Retail: AI/ML, algorithmic retailing for supply chain, merchandising, planning and forecasting functions. Unified fulfillment and delivery solutions ▪ Transportation: surveillance measures, IRROPS solutions, RPA, AI/ML, algorithmic modeling for supply chain, planning and forecasting functions for demand, assets and personnel. Data analytics, drone delivery and autonomous delivery, and robotics	▪ Increase in demand for business continuity, remote work communication, supply chain, predictive AI, data analytics and, for some sectors, B2B2C tools (e.g., in automotive) ▪ Retail: E-commerce will enjoy increased sales in the near term, causing retailers to further revisit their digital strategy and investments. ▪ Transportation: increase in demand for business continuity, predictive AI, data analytics, tracking flight and travel data with health data. ▪ Investments in autonomous vehicles, robot delivery and drone delivery will continue.
Finance	▪ SaaS office applications. ▪ Surveillance and compliance tools for remote work. ▪ Remote trading ▪ Unified communications. ▪ Chatbots, collaboration tools, data and analytics, AI/ML	▪ Increase in demand for remote work tools ▪ Increase in demand for contact centers ▪ Increase in demand for surveillance tools for remote work ▪ Increased focus on key vendor partnerships that will have better BCM practices ▪ Greater need for data and analytics, and customer service tools like chatbots and conversational AI

Source: Management Analysis.

Preliminary internal analysis on the impact of the COVID-19 pandemic shows that some sectors, such as Telecommunication & Media, Healthcare and the Public Sector maintain strong demand for IT Services, while other sectors such as Manufacturing, Transportation, Travel and Hospitality and some parts of Retail (except for e-commerce) have been affected more significantly. In general, industry analysts expect some reduction in total IT spending in Italy in 2020, followed by a robust catch-up and resuming growth in 2021, with companies restarting the projects that may have been put on hold during the peak of the pandemic. IT Services players, in their role of trusted partners and advisers, are working closely with customers to help them cope with the challenges caused by the COVID-19 pandemic.

BUSINESS

This business section includes certain technical terms that are commonly used in our industry. See "Glossary of Selected Terms" for a detailed explanation of these terms. We have estimated certain information in this Offering Memorandum regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry and Market Overview."

Overview

We are the leading specialist provider of IT services, software and digital solutions in Italy, with a market share of approximately 10% in Implementation and 7% in Application Managed Services, in each case calculated in terms of U.S. dollars and revenue, in 2019, according to Gartner (Gartner, Market Share: IT Services Worldwide 2019, April 2020). We provide a holistic suite of leading software and digital solutions to more than 1,700 corporate and public administration customers and focus on supporting our customers in digital transformation projects. We couple new and advanced digital enabling capabilities, including artificial intelligence ("AI") and advanced analytics, cloud-based services, cybersecurity, IoT, robotic process automation, AR / MR / VR, blockchain and digital twin platforms, with a strong know-how of traditional technological solutions and an intimate knowledge of our broad client base's core processes. In the year ended December 31, 2019, approximately 54% of our revenue-generating projects incorporated digital enabling technologies. For the twelve months ended March 31, 2020, we generated revenues of €1,260.8 million, consolidated profit of €39.9 million, and Adjusted EBITDA of €182.4 million.

We operate in the attractive and growing Italian IT Services and Software & Solutions markets which Anitec-Assinform estimated to have grown at a CAGR of approximately 6% between 2017 and 2019, and to be worth approximately €19.9 billion in 2019. These markets benefit from strong ongoing digitalization across the Italian public and private sectors and increasing spending in transformation projects from traditional IT to new digital enabling technologies. Our leading position in the Italian IT Services and Software & Solutions markets, coupled with our deep local and regional market knowledge and long-lasting relationships with our customers and partners, uniquely positions us to capitalize on the strong growth in demand for IT transformation services in Italy, which is expected to grow at a CAGR of 6.3% between 2019 and 2021, according to Anitec-Assinform.

We offer our IT services, software and digital platforms and solutions to our customers by engaging in three distinct types of activities: (i) Proprietary Solutions, (ii) Application Transformation and (iii) Managed Services. In particular:

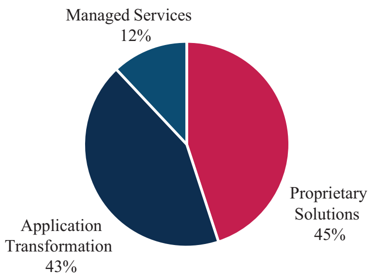
- **Proprietary Solutions:** We offer a wide range of cutting-edge software and digital solutions (including AI, cloud-based services, IoT, AR / MR / VR, digital twin and blockchain platforms) and related services primarily to customers in our Finance, Energy & Utilities, Public Administration, Telco & Media and Health verticals. Our Proprietary Solutions relate to four main software suites, and a longer tail of approximately 25 smaller products, all developed in-house and owned by us. Our Proprietary Solutions comprise end-to-end service partnerships with certain of our customers through which we provide tailored digital service packages which also include Application Transformation services and Managed Services. We estimate that, in 2019, we were one of the leading providers of governance, risk and compliance reporting software for financial institutions, field service management solutions, CRM solutions and billing platforms for utilities providers and healthcare ERP solutions for hospitals in Italy based on revenue. Excluding €59.4 million of total revenues unallocated by type of activity, we generated 45% of our revenues in the year ended December 31, 2019 from our activities related to Proprietary Solutions.

- **Application Transformation:** We develop and customize state-of-the-art IT services, software and digital solutions such as cloud migration, cybersecurity, ERP evolution, SAP HANA migrations, AI and advanced analytics. We are a leading service provider and system integrator in Italy, customizing and developing third-party digital-enabled IT solutions for providers such as SAP, Microsoft, Salesforce and Oracle, and advanced digital enabling capabilities (e.g., cybersecurity, AI and AR / MR / VR) together with our partners, including Tibco, Google and AWS. We also run third-party applications (providing updates, maintenance and support) as part of our Application Transformation activities. We generated 43% of our revenues in the year ended December 31, 2019 from our activities related to Application Transformation.

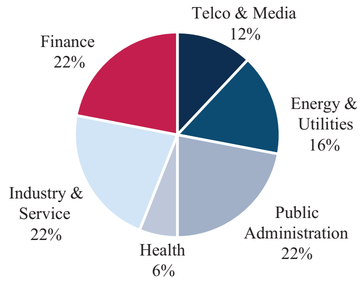
- **Managed Services:** Our Managed Services comprise the day-to-day management and operation of end-to-end processes and infrastructures through innovative IT solutions, such as hybrid, multi-cloud-based services, robotic process automation, next generation service desks with chatbots and digital agents, as well as various digital workplace solutions. We generated 12% of our revenues in the year ended December 31, 2019 from our activities related to Managed Services.

We are present in all regions and most metropolitan cities in Italy (including Milan, Rome and Turin) and operate across several sectors of the economy, including public administration, financial services, utilities, telecommunications, transportation, infrastructure and healthcare. In particular, we operate each of our activity types across six industry verticals, which correspond to our reporting segments under IFRS 8 (*Operating Segments*) and represent the verticals or strategic markets in which we operate, with industry-specific knowledge supported technologies and competences. Our six industry verticals are Finance, Health, Industry & Services, Telco & Media, Energy & Utilities and Public Administration. The following charts show our revenues by type of activity, industry vertical and technology for the periods indicated.

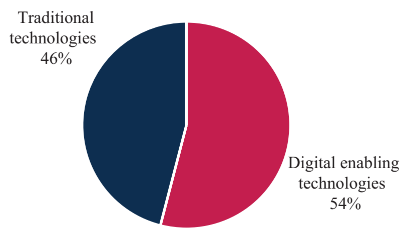
Revenues by service(1)



Revenues by vertical(2)



Revenues by technology(3)



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(1) *For the year ended December 31, 2019. Calculated on the basis of revenues excluding €59.4 million of Group revenue unallocated by activity.*

(2) *For the twelve months ended March 31, 2020.*

(3) *For the year ended December 31, 2019.*

Our customers include more than 1,700 large private and blue chip companies and public sector bodies, among which are six of the largest Italian banks (including Intesa Sanpaolo, UniCredit, Banco BPM and UBI Banca), major telecommunications companies (including Vodafone and Telecom Italia ("TIM")), utilities companies (including Enel and Eni), manufacturing companies (including Fiat Chrysler Automobiles ("FCA")), healthcare organizations (including the Veneto Healthcare System and the majority of hospitals in Italy) and transportation and infrastructure companies (including Ferrovie dello Stato Italiane). In 2019 we worked on approximately 16,600 individual IT services, software and digital solutions contracts which were distributed amongst our customers. We seek to create long-term, strategic relationships with our customers, and aim to be viewed as an integral part of their businesses. We have historically been able to achieve long-lasting, integral customer relationships by creating significantly customized and highly specialized products and services that we integrate into our end-customers' IT systems. Our average relationship tenure with customers is approximately ten years. Our business benefits from low customer concentration and significant customer diversification across all of our industry verticals, with no customer accounting for more than 8% of our revenue and no industry vertical accounting for more than 22% of our revenue in the year ended December 31, 2019. In the same period, our top ten customers generated 34% of our revenue.

We believe our success and leading position in the Italian IT Services and Software & Solutions markets is largely dependent on our strong focus on R&D, and we invested approximately €27 million in R&D in the year ended December 31, 2019. Our R&D activities rely on a dedicated team of researchers and data scientists. Our R&D Lab works closely with other units of the company, which include an *Innovators Network*, *Development Labs*, internal *Competence Centers* and *Products Labs*.

We believe our business model has allowed us to quickly respond to and continue to efficiently operate our business during the COVID-19 pandemic. In particular, during the Italy-wide lockdown in March, April and May 2020, we were able to continue to ensure business continuity and service our clients while safeguarding the health and safety of our employees. We successfully transitioned substantially all of our employees to remote working over a short period of time, maintaining high levels of service and assisting our clients with their responses to the outbreak of the COVID-19 pandemic, including in connection with digital transformation projects, digital workplace solutions, cybersecurity, cloud-based solutions and business continuity solutions that have all seen increased demand as a result of the outbreak of the COVID-19 pandemic and that we expect will continue to see increased demand going forward. As of today, we have approximately 11,000 employees working remotely. See "*Summary—Recent Developments—COVID-19 Update*," "*Industry and Market Overview—Preliminary considerations on the impact of the COVID-19 pandemic on the Italian IT Services and Software & Solutions markets*" and "*Risk Factors—Risks Related to our Business and Industry—Any outbreak of severe communicable diseases, including COVID-19, may materially affect our business and results of operations*."

Our Strengths

Leading player in the attractive Italian IT Services and Software & Solutions markets with strong growth driven by digital transformation secular trend

The Italian IT Services and Software & Solutions markets grew at a CAGR of approximately 6% between 2017 and 2019, significantly outperforming overall Italian GDP growth, which grew at a CAGR of 1.1% over the same period, and was estimated to be worth approximately €19.9 billion in 2019. In addition, the Italian IT Services and Software & Solutions markets are forecast to grow at a CAGR of 6.3% between 2019 and 2021 mainly driven by (i) increasing penetration of the Italian IT Services and Software & Solutions markets, (ii) digitalization across all private and public clients, and increasing spending in transformation projects from traditional IT to new digital enabling technologies and (iii) increasingly mission critical nature of IT services spending.

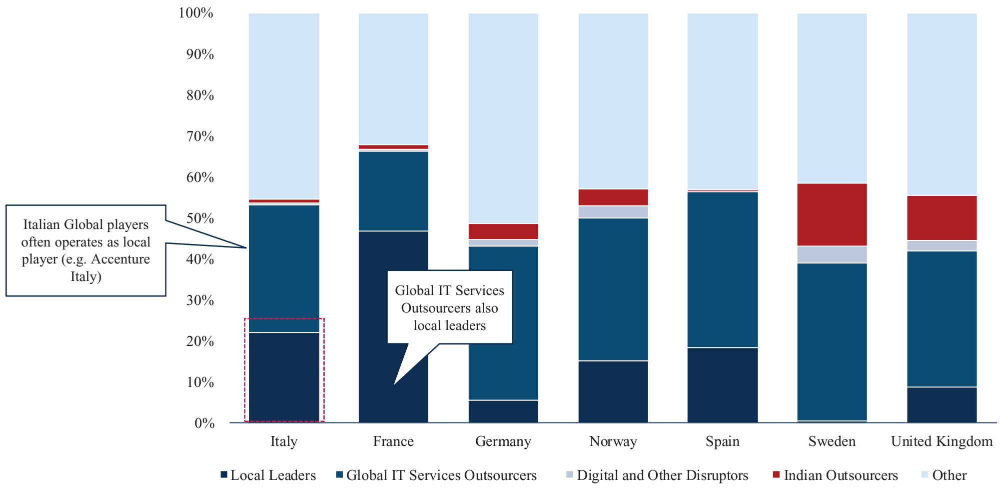
The Italian IT Services and Software & Solutions markets have historically been, and remain, underpenetrated compared to the equivalent markets in other European countries, and in the year ended December 31, 2019, IT services spend in Italy as a percentage of GDP amounted to 0.7% compared to the European average of 1.1%, according to management estimates, which we believe provides us with opportunities for significant further growth. The increasing penetration of IT services in Italy is expected to accelerate as the Italian government and regulators implement policies that favor digitalization through IT investments, such as the Industry 4.0 plan and the National Plan for Innovation 2025, and as Italian companies increase their spending on IT services to accelerate their competitive advantage and keep pace with the global trench towards digitalization.

We believe that growth in the Italian IT Services and Software & Solutions markets is mainly driven by strong ongoing digitalization across the Italian public and private sectors, with increased IT services spending on and diversified growth of new digital enabling technologies, such as (i) IoT (which is expected to grow by approximately 14% between 2019 and 2021), (ii) cloud and IaaS services (which are expected to grow by approximately 22% between 2019 and 2021), (iii) big data (which is expected to grow by approximately 14% between 2019 and 2021), (iv) cyber security (which is expected to grow by approximately 14% between 2019 and 2021) and (v) AI (which is expected to grow by approximately 43% between 2019 and 2021), according to Anitec-Assinform. See "*Industry and Market Overview*."

Additionally, growth in IT services spend is also driven by the increasingly mission-critical nature of IT services in business operations which we expect to result in IT services spend in Italy becoming more resilient in the face of future market downturns and less correlated to macroeconomic trends. Additionally, we are seeing an increasing focus on cost efficiency and specialization of IT services, which is leading companies to rely on external providers rather than developing IT in-house. We believe that our size and expertise in complex software, solutions and IT services compared to some of our smaller competitors and competitors focusing on less complex products and services, position us well to benefit from such trends, which we expect to be confirmed in the mid- to long term and that digitalization will increase and accelerate as a result of the COVID-19 pandemic.

Italian IT Services and Software & Solutions markets have strong protected local characteristics, which advantages local players like us and creates significant barriers to entry for international players

The Italian IT Services and Software & Solutions markets are characterized by high barriers to entry, especially with respect to international competitors, mainly due to cultural and local commercial complexities, such as language, local regulatory constraints in most markets including banking, energy, and healthcare, the importance of local relationships and proximity to customers. As a result, we believe that these barriers favor local players, thus allowing us to capitalize on our leading positioning in the market for both traditional technologies and digital enabling technologies in Italy, given our deep knowledge of the domestic market and long-lasting relationships with a wide cross-section of Italian customers and partners. Italian customers have also been shown to prefer software and IT services suppliers with whom they share a common language, that have extensive operations in Italy and that have an in-depth know-how of the applicable Italian legal and regulatory framework, which we believe makes entering the Italian IT Services and Software & Solutions markets more challenging for international players. The following chart shows the market share of each type of IT Services provider in key European markets for the year ended December 31, 2019:



Source: Management analysis based on third party data.

Notes: Local Leaders include: Accenture, BAE Systems and Capita in the United Kingdom, Atea and Evry in Norway, Acando in Sweden, Ibermatica, Indra and Informatica El Corte Ingles in Spain, Alten, Atos, Capgemini, Econocom, GFI Informatique, Groupe Open, Sopra Steria, Thales, Aubay, Devoteam, Neurones in France, All for One Steeb, Fiducia& GAD IT, Datagroup and Cancom in Germany, Engineering, Reply, Almaviva and Techedge in Italy.

Leading IT services, software and digital solutions provider in Italy with strong positions across all industry verticals supported by deep technology expertise, strong business process knowledge and well-established customer relationships

We are the leading specialist provider of IT services, software and digital solutions in Italy. In 2019, we were the largest provider of Implementation services in Italy, with a market share of approximately 10% in terms of revenues compared to the market shares of approximately 10% and 7% of our two closest competitors, Accenture and Telecom Italia, respectively, according to Gartner. Additionally, in 2019, we also one of the largest providers of Application Managed Services in Italy, with a market share of approximately 7% in terms of revenue, compared to the market shares of approximately 19% and approximately 10% of Accenture and IBM, respectively, according to Gartner (see chart below). We are one of the largest local players in a fragmented market where scale increasingly matters, and we have a consistent history of market share gain. We believe that due to a trend among our customers to consolidate around key partners, large IT service providers such as ourselves are able to absorb a large portion of IT spend from returning customers.

We hold leading positions across our industry verticals, which are underpinned by our broad offering of technology solutions, local and regional regulatory knowledge, long-standing relationship with our customers and partners, reputation for reliable delivery and cost competitiveness. The following table provides an overview of our market share and position for the Implementation segment across our industry verticals for the year ended December 31, 2019, according to Gartner:

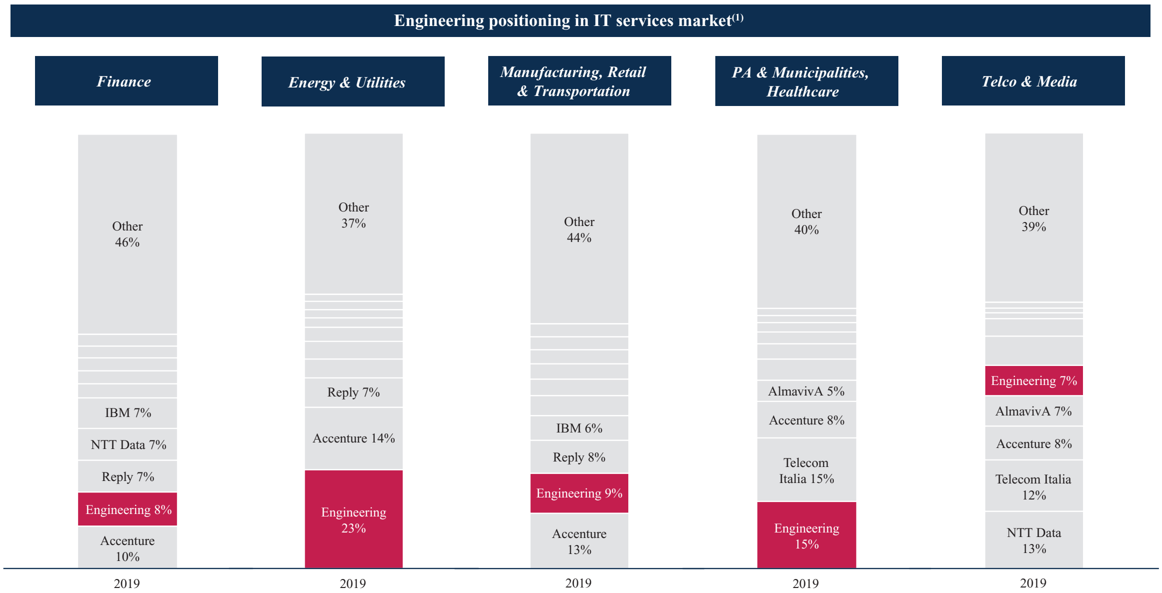


Chart created by Engineering based on Gartner research. Source: Gartner Inc. Market Share: IT Services, Worldwide 2019, April 2020

(1) Market includes only Implementation. Selected verticals include: Finance-Banking & Securities and Insurance; Energy & Utilities — Utilities; Industry & Services — Manufacturing & Natural Resources, Retail and Transportation; PA & Municipalities, Healthcare — Education, Government and Healthcare; Telco & Media — Communications, Media & Services

Verticalized offerings underpinned by leading niche proprietary software solutions, strong technology capabilities, and deep understanding of business core processes

In the year ended December 31, 2019, we generated approximately 45% of our revenue from our activities related to Proprietary Solutions, resulting in solid year-on-year revenue visibility as our proprietary solutions could neither be implemented nor managed by other IT providers. The vast majority of revenues generated from our activities related to Proprietary Solutions comes from the sale of software- and product-related services following the initial sale of the software license. Our Proprietary Solutions portfolio enables us to benefit from strong competitive positions in specific niches, particularly within the Finance, Energy & Utilities, Public Administration, Industry & Services and Health verticals. Our proprietary software solutions portfolio includes four software suite and 27 smaller products, including (i) *Grace*, the leading compliance and risk management software program developed for financial institutions, servicing most major banks in Italy, with a market share estimated to be double that of its closest competitor, (ii) *AREAS*, one of the largest digital platforms for the digitalization and integration of clinical and administrative healthcare processes in the hospital ERP markets and the second largest in the Italian healthcare IT market, (iii) *Geocall*, the leading field service management solution by OverIT, (OverIT has been named by Gartner as a "Visionary" in Gartner's April 2019 Magic Quadrant for Field Service Management), (iv) *Net@Suite*, the leading cloud-based platform for billing and CRM for all types of sales and distribution operators in the gas and electricity markets, and (v) *JEnte*, one of the leading software programs for the digitalization of processes of Italian municipalities. Our Proprietary Solutions portfolio targets specific niches across all of our industry verticals that are highly attractive in light of their regulated nature, the need for highly tailored solutions and the elevated costs that customers must bear for switching providers. Furthermore, we believe that the strong reputation of our Proprietary Solutions also allows us to up-sell and cross-sell our Managed Services and Application Transformation services.

We supplement our strong software offering across all of our activity types with new and advanced digital enabling capabilities, including AI and advanced analytics, cloud-based services, cybersecurity, IoT, robotic process automation, AR / MR / VR, digital twin and blockchain platforms, and in the year ended December 31, 2019 approximately 54% of our revenue-generating projects incorporated digital enabling technologies, mainly driven by digital transformation projects and advanced proprietary solutions. Our key proprietary digital solutions include (i) *Knowage*, an open source suite for modern business analytics initiatives from data visualization to deep analysis, (ii) *Digital Enabler*, a digital platform providing a single point of data knowledge used to develop new value added services as well as digitally enabling older technologies and applications and (iii) *Space 1*, a revolutionary product that allows companies to implement AR, MR and VR solutions in their processes, in a quick and flexible manner. Through our digital services offering, we have worked on projects including the rollout of Enel smart electricity meters in Italy, and the implementation of a system for the management of IoT across FCA plants globally.

Strong focus on R&D and a highly qualified, digitally-skilled workforce

Innovation has always been a key element for our competitiveness and long-term sustainability. We continuously invest in R&D and innovation to support the ongoing improvement of our organization in increasing our competitive capacity and fulfilling the needs of a fluid, rapidly changing market. Our investment in R&D to develop and maintain our research and project management activities has amounted to approximately €27 million, in the year ended December 31, 2019. Our R&D operations are led by a dedicated team of researchers and data scientists. Our R&D Lab works closely with other units of the company, which include an *Innovators Network*, comprising over 200 innovation experts, *Development Labs*, internal *Competence Centers* and *Products Labs*. We partner with more than 40 universities globally and have 22 strategic alliances with our global research partner ecosystem, which includes universities, research centers, technology companies and end-user companies.

We believe we are among the most active research companies in Europe, attracting funds from national and EU research programs, ranking first among European companies in volume of security-related research projects funded by the EC, according to Anitec-Assinform. We ranked among the top 15 European companies in terms of participation in, and amount of research funding awarded under, the European Union's Horizon 2020 Programme for Research and Innovation, according to the Publications Office of the European Union. As a result, we are widely recognized as a leader in ICT research and innovation in Europe. To date, we received over €40 million in research funding from Italian and European research programs.

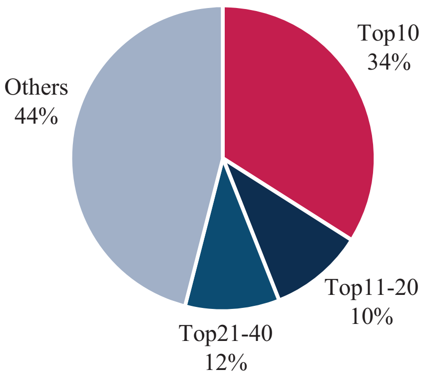
We also deploy a significant amount of resources for the training of our technology engineers, core process specialists and digital scientists who support our entire production cycle. Our internal "Enrico Della Valle" IT & Management Academy, which is considered one of the leading Italian corporate schools for IT, provides approximately 11,000 eLearning courses per year, resulting in more than 170,000 training hours in the year ended December 31, 2019. Our academy issued approximately 7,200 certifications since its establishment and trained approximately 5,400 of our employees in the year ended December 31, 2019. We believe that our strong focus on R&D as well as the resources deployed to train our technology engineers, core process specialists and digital scientists, coupled with our strategic acquisitions, will allow us to continue to attract and retain skilled employees, despite the constantly increasing talent shortage in the IT industry, which represents the key challenge in the IT sector.

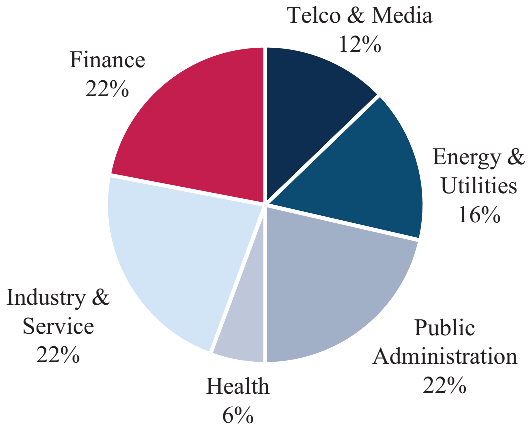
In addition, in connection with the COVID-19 pandemic, we have adopted remote-working policies and infrastructures that have allowed substantially all of our employees to work remotely over the course of the COVID-19 pandemic within a short period of time.

Large and diversified customer base with highly recurring revenues and high levels of customer satisfaction

We are present in all regions and most metropolitan cities in Italy (including Milan, Rome and Turin) and operate across several sectors of the economy, including public administration, financial services, utilities, telecommunications, transportation, infrastructure and healthcare. Our customers include more than 1,700 large private and blue chip companies and public sector bodies, among which are six of the largest Italian banks (including Intesa Sanpaolo, UniCredit, Banco BPM and UBI Banca), major telecommunications companies (including Vodafone and TIM), utilities companies (including Enel and Eni), manufacturing companies (including FCA), healthcare organizations (including the Veneto Healthcare System and many other hospitals in Italy) and transportation and infrastructure companies (including Ferrovie dello Stato Italiane). We benefit from a high level of exposure to medium and large enterprise customers compared to other businesses operating within the Italian ICT sector. We estimate that approximately 90% of our total number of customers are large enterprises or public organizations and the remaining 10% are medium-sized enterprises. Our business benefits from low customer concentration and significant customer diversification across all of our industry verticals, with no customer accounting for more than 8% of our revenue and no industry vertical accounting for more than 22% of our revenue in the year ended December 31, 2019. In the year ended December 31, 2019, our top three customers generated 18% of our revenue, our top five customers generated 24% of our revenue, and our top ten customers generated 34% of our revenue. The following chart provides an overview of our customer concentration and share of revenue by industry vertical for the periods indicated:

Customer Concentration(1) and Share of Revenue by Industry Vertical(2)





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(1) For the year ended December 31, 2019.
(2) For the twelve month ended March 31, 2020.

Our customers value our reliability and excellent track record of delivery, local presence and local and regional regulatory knowledge, cost effective solutions and highly-personalized, best-in-class offering of proprietary software solutions and digital capabilities, which we believe has contributed to our consistently high customer retention rates. In particular, our top ten customers by revenue for the twelve months ended March 31, 2020, have been with us for more than ten years. We are consistently recognized as one of the best partners in terms of product personalization and contractual terms in Italy and more than 95% of our customers were "very satisfied," "satisfied," or "neutral" about our product offering and services in 2019, according to a customer satisfaction survey that we perform every year on more than 200 customers, which include our top 40 customers, across all of our industry verticals.

In addition, a large share of our revenues is highly recurring. In particular, the revenues we generate from our activities related to Proprietary Solutions, which accounted for approximately 45% of total revenues in the year ended December 31, 2019, are highly recurring and demonstrate our long-lasting relationships with our Proprietary Solutions customers primarily as a result of the local, highly specialized and customized nature of our Proprietary Solutions as well as their integration into our end-customers' IT systems, which also limits competition for our products and services in respect of those customers. In addition, the revenues we generate from our activities related to Managed Services relating to the day-to-day management and operation services of our own infrastructure and data centers and provide to customers individually and in connection with our Proprietary Solutions are secured by long-term contracts. Our Managed Services customers display high retention rates also due to the difficulty of switching to a different provider. Moreover, the revenues we generate from our activities related to Application Transformation are backed by high levels of contract renewals due to our successful track record of service delivery and our knowledge of complex IT systems.

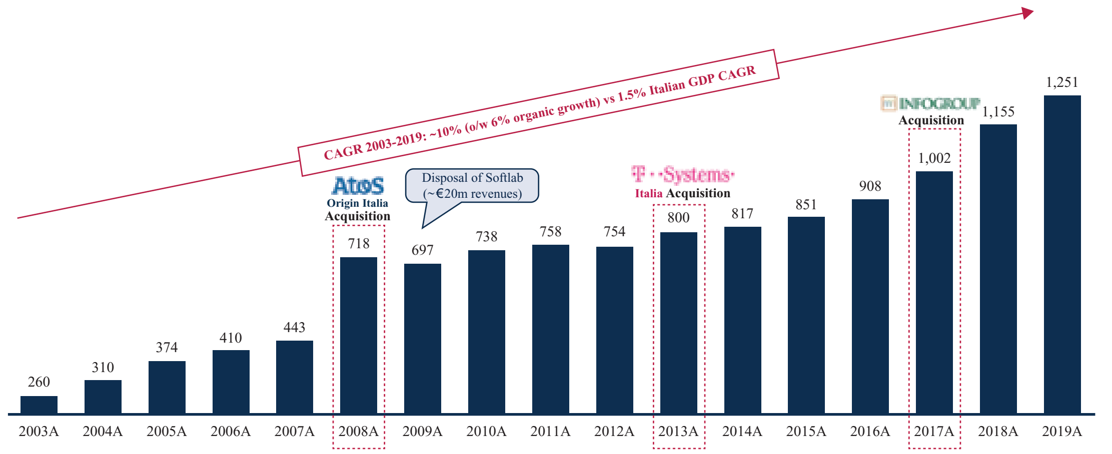
The high share of recurring contracts with our existing customers across all of our business lines has allowed us to maintain a stable revenue performance. Moreover, our ability to sell additional services to existing customers allowed us to increase spending of our existing customers over time, thus increasing our revenue generation. Between 2017 and 2019, revenues generated from our top five and top ten customers increased at CAGRs of approximately 19% and 18%, respectively.

Strong financial profile with consistent, resilient growth and cash flow generation, with further potential to improve margin performance through cost saving initiatives

Over the past 20 years, our revenue expansion has been driven by mid- to high single digit organic growth supported by continuous investments in R&D and training as well as growth from value accretive acquisitions of attractive IT services assets, including, among others, our acquisitions of Atos Origin Italia in 2008, T-Systems Italia, in 2013 and Infogroup in 2017. Additionally, our revenues have remained resilient through volatile macroeconomic cycles during the past 20 years, with our revenues' organic growth continuously outperforming Italian GDP growth on a year-over-year basis. For the twelve months ended March 31, 2020, we generated revenue of €1,260.8 million, consolidated profit of €39.9 million, and Adjusted EBITDA of €182.4 million.

The following chart provides an overview of the organic growth of our net revenues from 2003 through 2020:

Evolution of our Organic Growth and Italian GDP from 2003 to 2020



Organic growth (%)[(1)]	12.3%	16.8%	9.6%	7.3%	3.6%	2.0%	5.9%	2.7%	(0.5%)	1.7%	0.8%	3.7%	5.1%	8.0%	7.3%	5.6%	
Italian GDP growth (%)[(2)]	3.9%	3.0%	4.0%	3.9%	1.4%	(3.7%)	2.2%	2.3%	(1.5%)	(0.7%)	0.9%	1.7%	2.4%	2.4%	1.7%	0.8%[(2)]	

(1) Organic revenue growth is defined as the percentage growth in Group revenue between two periods (the later of such periods, the "subsequent period"), excluding from the subsequent period the contribution to the Group's revenue by entities that were acquired by the Group during such period.
(2) Nominal GDP.

Our business has historically benefitted from high cash conversion (defined as the ratio of Adjusted EBITDA *less* capital expenditure to Adjusted EBITDA), which averaged approximately 92% annually between 2017 and 2019, as a result of our resilient margin profile and limited capital expenditures from our asset-light model.

Historically, we have also been able to increase our margins as a result of continued operational improvements and operating leverage, and we believe there is further potential to improve our margins through operational initiatives, including by increasing the share of our employees near-shored to Serbia, which currently represents only approximately 1% of our total headcount.

Attractive consolidation platform with track record of creating value through integration of bolt-on acquisitions

We believe we are a natural consolidator in the fragmented Italian IT Services and Software & Solutions markets and have a strong track-record of successfully integrating acquired entities, allowing us to expand our product offering and geographic reach, generate significant cross-selling opportunities into our existing customer base and realize synergies. Between January 2017 and March 31, 2020, we completed 21 acquisitions.

We constantly evaluate opportunities for prudent, highly targeted and strategic bolt-on acquisitions. Past bolt-on acquisitions include (i) Infogroup in 2017, which allowed us to consolidate and expand our service offerings related to digital payment platforms, and strengthen our position in the Finance industry vertical by reinforcing our relationship with one of the leading banks in Italy, (ii) Engineering USA (previously known as Hyla Soft) in 2017, which allowed us to expand our North American presence, (iii) Cybertech Group in 2019, which allowed us to expand our cybersecurity offering and consolidate our leadership position in the rapidly expanding cybersecurity segment, (iv) Deus Technology in 2019, which allowed us to expand our finance expertise with wealth management fintech solutions and (v) Digitelematica in 2019, which allowed us to increase our e-commerce offerings to retail customers.

Through our M&A-focused team, we have developed a disciplined and clear approach to M&A activity, targeting best-in-class specialized IT services providers with a focus on increasing our higher margin Proprietary Solutions portfolio, complementing our digital capabilities by strengthening our industry-vertical specific product offerings and thus consolidating our leading positions across our industry verticals in order to strategically support our organic growth.

Experienced management team widely recognized in the industry

Our business is supported by our highly experienced management team, which is widely recognized in the IT services industry, and which has grown our business from a local Italian player to one of the leading independent Italian specialist provider of IT services, software and digital platforms. Our senior managers include Paolo Pandozy, who has been our CEO since 2009 and with the business since its formation, Armando Iorio, who has been our CFO since 2012 and with the business since 1993, as well as our industry vertical leaders and other corporate executives such as our Chief Technical Officer, Head of Strategic Marketing and Head of M&A. We recently strengthened our senior management team through the addition in 2017 of Francesco G. Schininà, our new Head of M&A. We also operate a project management office staged with 500 certified project management professionals, ensuring solid and innovative management of our customers' and our own projects, and enabling us to provide skilled project management and project management office specialists across all of the markets that we service. Our management team is supported by a well-trained and qualified workforce of approximately 11,600 full-time equivalent ("FTE") employees as at March 31, 2020.

Our Strategies

We and the Sponsors have developed the following strategies:

Continue to grow and build on our leading market position

We are the leading specialist provider of IT services, software and digital platforms and solutions in Italy, with a market share of approximately 10% in Implementation and 7% in Application Managed Services in terms of revenue in 2019, according to Gartner. For 2018 and 2019, our net revenues grew at an organic rate of 7.3% and 5.6%, respectively, and at a total rate of 15.3% and 8.3%, respectively, thereby growing our market share in Italy. We believe that we are uniquely positioned to continue to grow our market share by capturing the future growth of the Italian IT Services and Software & Solutions markets, benefitting from increasing penetration, digitalization across all private and public sectors, and increasing spending on new digital enabling technologies. We intend to continue to leverage our strong technological capabilities and broad range of digital solutions which we have successfully implemented across our types of activities, industry verticals and customers to further capture opportunities to cross-sell and up-sell our products and services. In the year ended December 31, 2019, approximately 54% of our revenue-generating projects incorporated digital enabling technologies, such as cybersecurity, IoT, cloud and Big Data, mainly driven by digital transformation projects and advanced proprietary solutions. We believe that the continuing demand for our digital enabling technologies will present us with an opportunity to further grow our market share in Italy. Additionally, we plan to continue to center our business around the needs of our loyal customer base, which we believe will allow us to maintain our track record of growing our digital offerings among our top customers.

Strengthen our strong technological platform, unrivalled digital capabilities and industry partnerships

We have a strong track record of product innovation and strive to continuously develop new and tailored digital offerings to meet our customers' latest digital needs. Our R&D Lab, which is the core driver of our products and services innovation process works closely with other units of the company, including our *Innovators Network*, consisting of approximately 200 innovation experts who analyze market trends and weaknesses and translate them into ideas for innovative solutions and products, our *Development Labs*, comprising a dedicated group of professionals who develop state-of-the art commercializable digital technologies, and our *Products Labs*, comprising a dedicated group of professionals who are devoted to designing, developing and maintaining our proprietary solutions. Leveraging our R&D capabilities, we intend to further strengthen our technological platform by continuing our investments in key areas, spanning across all our industry verticals: digital industry, smart transportation, digital and physical security, smart city, smart government, energy, waste management, 5G, digital media, cloud, big data, blockchain and AI.

In addition, we intend to further capitalize on our strong, long-standing relationships with key strategic partners, who comprise next-generation technology vendors and service providers and include worldwide leaders in public cloud and SaaS services, such as Amazon, Alibaba, Google and Microsoft, ERP and CRM solutions, such as SAP, Oracle, Salesforce and Microsoft, as well as a large pool of digital technologies providers, such as Adobe, Cisco, RedHat and VMware. We believe that our focus on strong relationships with key industry partners will continue to allow us to provide our customers with access to cutting-edge digital platforms and solutions.

Increase our offering of Proprietary Solutions

In the year ended December 31, 2019, we generated 45% of our revenue from our activities related to Proprietary Solutions. We believe that our large portfolio of leading, niche vertical proprietary solutions and services supports our strong reputation as the leading Italian specialist provider of IT services, software and digital solutions and acts as a catalyst for our broad service offerings across our industry verticals. Our portfolio of Proprietary Solutions, which primarily targets customers in our Finance, Energy & Utilities, Public Administration, Industry & Services and Health verticals, has also historically contributed to our strong margins and highly sticky, recurring revenue from long-term, strategic customer relationships. Following the Acquisition Closing Date, we intend to increase our offering of Proprietary Solutions through organic small and selected bolt-on acquisitions with the goal to generate the majority of our revenue from Proprietary Solutions.

We intend to continue leveraging our in-house R&D capabilities and developing digital enabling proprietary solutions to the activities we conduct in relation to Proprietary Solutions. Our existing portfolio includes *µSE*, a software to create solutions that comply with open platform standards, *DATÆLL*, a software program that uses a shared data model to process customers' big data (or "data lake"), distilling information from such data while also managing both traditional and AI and machine learning cognitive algorithms and *Grace*, a leading financial governance, risk, regulatory and compliance management software.

Increase profitability and cash generation

We intend to continue leveraging our diversified operating platform and realizing economies of scale to improve our margins. We intend to increase the share of proprietary software and related services, which typically generate comparably higher margins due to the significant customization of our products and services and often result in long-term customer relationships and recurring business.

Our business has historically benefitted from high cash conversion, which averaged approximately 92% annually between 2017 and 2020, as a result of our resilient margin profile from underlying operating leverage and limited capital expenditures from our asset-light model, as well as stable revenue and consistent Adjusted EBITDA growth. To increase our cash generation, we intend to continue implementing a disciplined approach to working capital management and capital expenditures, which averaged 1% of revenues annually between 2017 and 2019.

To further increase our profitability, we also plan to continue focusing on implementing cost-savings measures and improve operational efficiency across the Group. To this end, we have identified a number of potential improvement initiatives, such as increasing the share of our workforce that is currently near-shored in Serbia.

Continue to pursue targeted and opportunistic acquisitions to expand capabilities and grow the business

The Italian IT Services and Software & Solutions markets remain highly fragmented, and we intend to further strengthen our leading position and broaden our product portfolio by continuing to consolidate smaller players. We have developed a disciplined and systematic approach to M&A activity, targeting best-in-class specialized IT services providers with a focus on increasing our Proprietary Solutions portfolio, consolidating our leading positions across our industry verticals and strategically complementing our organic growth. We execute our M&A strategy through our dedicated and experienced in-house M&A team, who have completed 21 M&A deals in the last three years. We believe that this continued focus on acquiring and integrating best-in-class providers of IT services will allow us to further cross-sell acquired solutions into our existing customer base and strengthen our R&D capabilities.

In addition, we will continue to evaluate opportunities for highly targeted, strategic bolt-on acquisitions with a view to expanding our existing product offerings, strengthening our industry-vertical specific product offerings and increasing our share of revenues from IP and digital capabilities. Key recent, targeted acquisitions that have allowed us to grow our portfolio and address customers' needs include Engineering USA (previously known as Hyla Soft) in 2017, a company specializing in product lifecycle management, manufacturing operations management and sales and operations planning solutions within the IT manufacturing sector, Cybertech Group in 2019, a group of companies that provide cybersecurity services, and Digitelematica in 2019, a software company focused on e-commerce and digital distribution solutions for large supermarkets and hypermarkets. In addition, recent targeted industry-specific acquisitions, including Infogroup in 2017, a company specializing in IT services for the financial industry, and Deus Technology in 2019, a provider of wealth management fintech solutions, have helped us cement our leading positions in our six industry verticals.

Our History

We were founded by our Chairman, Michele Cinaglia, in 1980 in Padua as part of the Cerved group. Over the course of 40 years, we have grown both organically and through acquisitions to become the leading specialist provider of IT services, software and digital platforms in Italy.

Following a management buyout in 1984, we became a standalone entity and continued to grow organically and through strategic acquisitions within the public and financial services sectors until our initial public offering and listing on the Electronic Share Market (*Mercato Telematico Azionario* or *MTA*) organized and managed by Borsa Italiana in 2000. Between 2001 and 2005, we further expanded our operations in Italy through various strategic bolt-on acquisitions, including the acquisition of *OverIT*, a company focused on the optimization of field processes with cutting-edge technologies, *Nexen*, an IT consulting firm for both traditional and new technologies, including robotic process automation, big data, cloud, open banking and AI, and *Olivetti Sanità*, a leading IT provider of services for the healthcare industry. In 2008, through the acquisition of *Atos Origin Italia*, an international IT services company, we reinforced our capacities to deliver high quality and innovative IT services to customers in the infrastructure industry. We subsequently continued our geographic expansion into the United States, through the acquisition of *Dynpro*, a company specialized in software design and development, managed services, IT consulting and IT staffing. We reinforced our presence in the market for mobile applications through the acquisition of *Xaltia*, a company providing value added services on mobile platforms, offering mobile applications and content development. We also expanded into Germany, through the acquisition of *DST Consulting GmbH*, a digitalization specialist operating throughout Germany with more than 300 employees in twelve locations. In 2008, we established a subsidiary in Brazil to support our customer TIM in its expansion into Brazil. In 2013, we also completed the strategic acquisition of the Italian branch of *T-Systems*, a global IT services and consulting company, consolidating our presence in Italy.

Following our take-private by Neuberger Berman and Apax in 2016, we continued to grow our business, product and IT services offering organically and through strategic acquisitions, such as our acquisition of Infogroup in 2017, a company specialized in IT services for the financial industry in Germany and other German-language countries, Cybertech Group in 2019, which allowed us to expand our cyber technology offering, and Deus Technology in 2019, which allowed us to expand our offerings with wealth management fintech solutions. In 2020, we completed the acquisition of *FDL Servizi*, a company providing software for smart grid-management. See "*Management's Discussion and Analysis of Financial Condition of Operations—Key Factors Affecting Results of Operations and Financial Condition—Acquisitions*."

On February 5, 2020, the Sponsors entered into the Acquisition Agreement to acquire the Target, with the aim to strengthen our leading position, product and IT service offering in Italy and continue to support our principal Italian clients as they grow internationally.

Our Business

Activities

We offer our IT services, software and digital platforms to our customers by engaging in three distinct types of activities: (i) Proprietary Solutions, (ii) Application Transformation and (iii) Managed Services. This distinction enables us to separate our customized, end-to-end Proprietary Solutions offerings that we develop for individual customers, from the third-party IT services that we provide and manage on behalf of our partners through our activities relating to Application Transformation and Managed Services.

Proprietary Solutions

Our activities relating to Proprietary Solutions include a wide range of cutting-edge, customized, end-to-end IT services and digital solutions, such as industry-specific, innovative vertical software and digital solutions (including AI, cloud-based services, IoT, AR / MR / VR, digital twin and blockchain platforms) and related services. We often develop our Proprietary Solutions software products and digital solutions in cooperation with our customers and tailor them to address our customers' specific needs. Typically, we retain exclusive ownership of these products and we make them available to the customers with whom they have been developed on the basis of individually negotiated licensing agreements that limit their ability to license out or modify such products as well as to use other competing software products. In addition, we develop and own industry-wide platforms, such as certain IoT software, which we continuously operate and adapt with customer-specific features as needed. As part of our activities related to Proprietary Solutions we provide day-to-day management services with respect to our proprietary products, including consulting services, service desks and help desk support.

In the year ended December 31, 2019, we generated approximately 45% of our revenues from our activities related to Proprietary Solutions.

Application Transformation

Our activities relating to Application Transformation comprise the development and customization of digital enabling solutions using advanced analytics, cloud, cybersecurity, IoT, robotic process automation, AR / MR / VR, digital twin and blockchain technologies in cooperation with our partners, including, among others, Microsoft, Google, Amazon, SAS, IBM and Oracle. In particular, we provide our customers with (i) application development services, through which we create, maintain and manage customized applications and (ii) integration services, through which we develop, manage and integrate software and applications of some of the the most advanced global IT technology providers (including Microsoft, SAP and Salesforce) into our customers' systems and provide related consultancy and design services. In addition, we support, maintain and update third party applications and carry out project-based system integration activity for our customers and software providers.

In the year ended December 31, 2019, we generated approximately 43% of our revenue from our activities related to Application Transformation.

Managed Services

Our Managed Services comprise the day-to-day management and operation of the end-to-end infrastructure of our customers through innovative IT solutions, such as hybrid, multi-cloud-based services, robotic process automation, next generation service desks with chatbots and digital agents, as well as various comprehensive digital workplace solutions.

In the year ended December 31, 2019, we generated approximately 12% of our revenue from our activities related to Managed Services.

Industry Verticals

We operate each of our activity types across six distinct industry verticals, each of which is described in detail below. Our flexible structure and well-diversified products and services offering enable us to cross-sell to our customers in different industry verticals. For instance, we adapt and modify certain of our Application Transformation applications, software and products for customers across our various industry verticals, including by leveraging our digital enabling technologies in the Public Administration and Health industry verticals.

Finance

Leveraging on our strong regulatory and market knowledge as well as our integrated offering of AI, advanced analytics, cybersecurity, robotic process automation, cloud, digital twin, blockchain and digital workplace, we offer customers in our Finance Industry vertical IT services relating to funds administration, payments and settlements, regulatory compliance, risk management and credit management. Through the provision of these services and technologies we assist our customers in transforming data, managing processes, transitioning into open ecosystems, and optimizing internal processes to reduce friction.

Our Proprietary Solutions offering in our Finance industry vertical comprises four distinct product suites: (i) application infrastructure, data management, governance, risk, regulatory and compliance, (ii) digital customers and credit (iii) digital advisory and sales and (iv) digital payments and settlements. Our proprietary product offering within the application infrastructure, data management, governance, risk, regulatory and compliance product suite includes infrastructure services that allow our customers to better understand their data and increase the reliability of their data-driven practices such as *μSE*, a software program used to create solutions that comply with the EU Open Platform Regulatory Directives, *Grace*, one of the leading compliance and risk management software programs developed for financial institutions and *DATÆLL*, a software program that uses a shared data model to process customers' big data (or "data lake"), distilling information from such data while also managing both traditional and AI and machine learning cognitive algorithms. Our proprietary product offering within the digital customers and credit product suite includes *Claps*, a modular software solution for the management of end-to-end credit processes through digital transformation and process automation. The proprietary products that we offer within the digital advisory and sales product suite include *T1*, a multi-objective consultancy platform for the financial, insurance, and credit sectors which aims to offer end customers a global vision of their current and future needs and also includes a robo-advisory services platform for the automated and algorithmic management of investments portfolios. The proprietary products that we offer within the digital payments and settlements product suite include *Hycards*, a consolidated software hub for the management of membership cards, loyalty programs and for the optimization of relationships with customers.

The activities we conduct in relation to Application Transformation in our Finance industry vertical include the development, customization and integration of software and digital solutions in the areas of regulatory compliance, risk management and governance, as well as digital services, such as banking and insurance, instant payments, eVending and crowdfunding.

Our Managed Services in our Finance industry vertical include the provision of infrastructure services and call-center support activities as well as software-as-a-service IT solutions that we provide in connection with activities that we conduct in relation to Application Transformation.

In the twelve months ended March 31, 2020, we generated revenues of €283.2 million, or 22% of our total revenues, and Adjusted EBITDA of €61.5 million, or 34% of our total Adjusted EBITDA, from the Finance industry vertical.

Health

In our Health industry vertical, we provide hospitals and other organizations in the healthcare industry with a variety of Proprietary Solutions, such as *AREAS*, a proprietary platform for the digitalization and integration of clinical and administrative healthcare processes and *ellipse*, a software program enabling the total digitalization of healthcare systems by assisting clinicians in real-time diagnostics, decision and treatment activities of their patients.

The activities we conduct in relation to Application Transformation in our Health industry vertical include the development and customization of software and digital solutions in the areas of clinical and administrative governance, diagnostics, clinical treatment and care as well as prevention. Additionally, we offer our customers other traditional and innovative IT services and applications, such as tele-health, patient relationship management, consulting and services management. On occasion, we engage in these activities together with our partners, which are typically small, local partners that we identify on an adhoc basis to integrate our product and service offering. We also manage various support activities, including accounting, finance and logistics, for healthcare facilities in multiple Italian regions, including Sardinia, Veneto, Emilia Romagna, Marche, Toscana and Lazio. We recently leveraged our ability to serve customers across different industry verticals from one integrated platform with the creation of *Digital Enabler*, a data- and cloud-native bio surveillance system, which we named *Eng-DE4Bios*. *Eng-DE4Bios* utilizes our digital enabling technologies to integrate and harmonize data available to local government and healthcare systems in Veneto and allows for the identification of incidences of COVID-19 infections across a defined territory, thereby enabling healthcare authorities to weigh responses and impose targeted lockdown measures. *Eng-DE4Bios* also carries out predictive analysis to identify where COVID-19 infections are most likely to spread, allowing for the optimal allocation of scarce healthcare resources.

Our Managed Services in our Health industry vertical include clinical assistance and emergency management.

In the twelve months ended March 31, 2020, we generated revenues of €73.9 million, or 6% of our total revenues, and Adjusted EBITDA of €14.8 million, or 8% of our total Adjusted EBITDA, from the Health industry vertical.

Industry & Services

We provide a wide range of IT and outsourcing services and technologies to customers across various industries, including the manufacturing, retail, fashion, agriculture and transportation industries.

In our Industry & Services industry vertical, our Proprietary Solutions offering includes *Dive Suite*, an innovative IoT digital platform for asset integration, performance monitoring and predictive analysis for the manufacturing and transportation industries, *Geocall*, a field service management solution by OverIT, which Gartner has described as "visionary" in their magic quadrant report for global leading field service management solutions and *DDP*, an all-inclusive digital platform supporting leading automotive dealerships in the management of their businesses. Our proprietary solutions and applications for the automotive market also include applications for monitoring compliance with CO_2 emission regulations, smart mobility and environmental sustainability. We also support manufacturers and retailers in digitalizing the entire manufacturing process, from product design and simulation to production execution, control and monitoring with proprietary applications and platforms such as *My Clienteling*, a mobile app dedicated to store staff that is aimed at increasing customer knowledge, loyalty and sales. We also help retailers and fashion companies to revolutionize the customer shopping experience and, at the same time, streamline their operations, reduce costs and increase revenues with software such as *MARKETSUITE,* a platform by *Digitelematica*, one of our subsidiaries, providing e-commerce and digital distribution solutions for large supermarkets and hypermarkets. In the agriculture industry, we have developed technologies to analyze microclimates and identify environmental factors that can optimize crop development and prevent the spread of plant diseases, which have been implemented to assist customers such as the Maison Anselmet winery in maintaining the yield of their highest value vineyard despite adverse climactic conditions.

The activities we conduct in relation to Application Transformation in our Industry & Services include the development and customization of software and digital solutions in the areas of (i) smart transportation, infrastructure and mobility, covering services such as automation and control systems, diagnostic and maintenance systems, data analytics and safety systems, and (ii) digitalization of the manufacturing process, covering services such as planning and forecasting, sourcing and manufacturing, delivery and supply as well as customer engagement and sales.

In the twelve months ended March 31, 2020, we generated revenues of €280.6 million, or 22% of our total revenues, and Adjusted EBITDA of €23.4 million, or 13% of our total Adjusted EBITDA, from the Industry & Services industry vertical.

Telco & Media

We provide our telecommunication and media customers with a complete range of IT technologies for BSS and OSS solutions and we have entered into exclusivity agreements for certain IT services with some of the major telecommunication companies in Italy, such as TIM, Vodafone, BT, Tiscali, RAI and Wind3.

Our Proprietary Solutions offering in the Telco & Media vertical includes *Mobile VAS*, one of the leading platforms in Italy for in-cloud management services enabling mobile operators to sell value-added products and services to their subscribers, *Gateway SMS*, a software allowing users to send or receive SMS or MMS, and *Mobile Payment Platform*, a software allowing users to process mobile payments. We also own proprietary payment rails, which are operated through sim cards or phone bills.

The activities we conduct in relation to Application Transformation in the Telco & Media vertical include the development and customization of software and digital solutions in the areas of BSS and OSS, revenue assurance and fraud management, HR and financial management as well as digital payment solutions. Our main contracts relating to Application Transformation include those with TIM, Open Fiber and Sparkle.

Our Managed Services in the Telco & Media vertical includes help desk services and network management such as DWH and big data, billing and grid management. Our main contracts relating to Managed Services include those with BT for infrastructure outsourcing and Tiscali for the outsourcing of its entire IT operations.

In the twelve months ended March 31, 2020, we generated revenues of €150.3 million, or 12% of our total revenues, and Adjusted EBITDA of €18.7 million, or 10% of our total Adjusted EBITDA, from the Telco & Media industry vertical.

Energy & Utilities

Leveraging on our strong regulatory and market knowledge, we provide customers in our Energy & Utilities vertical, including those operating in the oil, power, gas, commodities, water, waste and heating sectors, with IT services and technologies along the entire energy and utilities value chain.

Our Proprietary Solutions offering in our Energy & Utilities vertical includes *Geocall*, a workforce management solution provided by our subsidiary OverIT, *Net@SIU*, a software addressing metering-to-cash management and *Net@CRM*, a software addressing customer management, which are part of the *Net@Suite*, a cloud-based platform serving all types of sales and distribution operators in the gas and electric energy markets.

The activities we conduct in relation to Application Transformation in our Energy & Utilities vertical include the development and customization of software and digital solutions across the entire energy and utilities value chain. For example, we have worked with SAP to develop solutions for ENI and ENEL, a utility service management application utilized by several of the largest utilities providers in Italy. Our main contracts relating to Application Transformation include those with Enel for the support of core business processes of their networks and infrastructures and for the updating of Enel’s meters to new generation meters.

Our Managed Services in our Energy & Utilities vertical include help desk services and network management. Our main contract relating to Managed Services is with Enel for the management of one of its new generation environmentally friendly data centers.

In the twelve months ended March 31, 2020, we generated revenues of €200.7 million, or 16% of our total revenues, and Adjusted EBITDA of €29.9 million, or 16% of our total Adjusted EBITDA, from the Energy & Utilities industry vertical.

Public Administration

We provide a wide range of IT services, technologies and business process outsourcing solutions to our customers in the public sector, including municipalities, such as services and products for the development and management of their core processes in many of the areas that public administrations are active in.

Our Proprietary Solutions offering in our Public Administration vertical includes proprietary software such as *Municipia*, our platform for the management of taxes, tariffs and fines, *Ekovision*, a digital platform for smart collection of waste and the management of transportation services, *INES Cloud*, a digital platform for access, traffic and parking management, *JEnte*, one of the leading software for the digitalization of processes of Italian municipalities and *Digital Enabler*, a digital platform providing a single point of data knowledge used to develop new value added services, *Sicer*, an ERP platform for local authorities, integrating financial accounting, economic patrimonial and analytical accounting, *Auriga*, a platform for the digitalization and optimization of document management processes and administrative procedures, and *Knowage*, an open source suite for modern business analytics initiatives from data visualization to deep analysis, as well as digitally enabling older technologies and applications. We also provide a wide range of traditional and innovative IT services and applications in the fields of environment risk management, decision support systems, digital payments, application program interface platform management, audit, risk and compliance.

The activities we conduct in relation to Application Transformation in our Public Administration industry vertical include the development and customization of software and digital solutions in the areas of sustainability (including tax and revenue, waste and energy consumption management), security (including security management and analytics for cybersecurity), mobility (including smart mobility and traffic fine management and traffic monitoring), interactivity (including asset management, ERP and document management) and welfare (including local economy development and social care management). We typically engage in these activities together with our partners, which include small and medium innovative companies and certain large facility management players. We also provide a variety of IT services and data infrastructure in the areas of military intelligence (including security and intelligence systems), defense (including command support systems and military document management systems), and maritime, space and homeland security (including maritime safety systems, earth observation applications and border control systems). In addition, we support the digital transformation of a large number of regional administrations, including the (i) welfare and employment management systems of Emilia Romagna, Veneto, Umbria, Valle d'Aosta, Calabria, Lazio and the province of Trento, (ii) the funds management systems of Emilia Romagna, Veneto, Lazio and Toscana, (iii) the agriculture management systems of Veneto, Emilia Romagna, Lombardia and Piemonte, and (iv) systems for the management, control and monitoring of the use of land resources for Sardegna, Piemonte, Emilia Romagna and Calabria.

Our Managed Services in the Public Administration industry vertical include smart cities management, census management, e-government, tax management, financial management, electronic payment, electronic invoicing, document management and healthcare management. We are not required to obtain any regulatory authorizations to provide these services.

In the twelve months ended March 31, 2020, we generated revenues of €272.0 million, or 22% of our total revenues, and Adjusted EBITDA of €34.1 million, or 19% of our total Adjusted EBITDA, from the Public Administration industry vertical.

Customers

We have a large and diversified customer base of more than 1,700 customers, including large private and blue chip companies and public sector bodies. We also serve small and medium sized enterprises as well as other micro-businesses. Our business benefits from low customer concentration and significant customer diversification across all of our industry verticals, with no customer accounting for more than 8% of our revenues in the year ended December 31, 2019 and no industry vertical accounting for more than 22% of our revenues in the twelve months ended March 31, 2020.

We seek to create long-term, strategic relationships with our customers, and aim to become an integral part of their businesses. We benefit from long-lasting customer relationships, with an average tenure of more than ten years, and a significant degree of customer loyalty, built on our track-record of cost-effective service delivery and customized proprietary solutions, local regulatory and market knowledge as well as know-how of complex IT architectures. We are consistently recognized as one of the best partners in terms of product personalization and contractual terms in Italy and more than 95% of our customers were “very satisfied,” “satisfied” or “neutral” about our product offering and services in 2019, according to a customer satisfaction survey that we perform every year on more than 200 customers, including our 40 largest customers. In the year ended December 31, 2019, our top ten customers accounted for 34% of our revenues.

In the Finance industry vertical, we primarily serve banking, insurance, capital markets and other financial institutions, including six of the largest Italian financial institutions, such as Intesa Sanpaolo, UniCredit and UBI Banca. In the insurance sector, our customers include Generali and Cattolica. Despite the typical short-term duration of contracts in our Finance industry vertical, which mainly reflects the annual nature of many of our customers budgeting, we benefit from longstanding relationships with our customers in the Finance industry vertical, with an average relationship tenure which has historically been long. Recently, multi-year contracts with a duration of more than three years are becoming more common in the Finance industry vertical.

In the Public Administration industry vertical, we primarily serve municipalities and local public administrations. Our customers in the Public Administration industry vertical include Lombardia Informatica, the IT services arm of the Lombardy, Emilia Romagna and Campania regions and large municipalities, including nine of the ten largest Italian municipalities, such as the municipalities of Rome and Milan, and approximately 300 more medium-sized customers. We support various regional governments in the digital transformation of their processes and services in many domain areas, such as financial management, human resources management, real estate and movable asset management, environmental and territorial management, welfare, agriculture, culture, tourism and mobility. Our customers in the public sector also include large companies and entities serving governmental administrations such as Sogei, the IT arm of the Ministry of Economy and Finance, and INPS, the administrator of the Italian pension system. We also have a long-term contract with Poste Italiane, the Italian national postal service, for the provision of digital services. Our overall average relationship tenure in the Public Administration industry vertical is approximately ten years, with an average relationship with municipalities and other customers in the public sector of five and ten years, respectively.

In the Health industry vertical, we serve large providers of healthcare services, including various regional governments such as Regione Veneto, Regione Lombardia, Regione Emilia Romagna, Regione Toscana, Regione Marche, Regione Lazio and Regione Sardegna and large hospitals such as the Sant’Andrea, San Giovanni and Policlinico Gemelli hospitals in Rome, the Federico II hospital in Naples and hospitals in Turin, Bologna and Modena. We have been present in the healthcare industry for over 25 years and serve approximately 150 customers which represent approximately 60% of Italian healthcare organizations. Our average relationship tenure with customers in the Health industry vertical is of approximately ten years.

In the Industry & Services industry vertical, our customers include providers of rail services such as the Italian state-owned railway company, Ferrovie dello Stato Italiane, road management companies, such as Autostrade per l’Italia, the largest Italian road management and maintenance company. We also serve large corporations such as FCA, Whirlpool, Costa Crociere and Ferrero, as well as large industrial manufacturers and many automotive supply chains, including more than 10,000 dealers and automotive workshops globally. Our average relationship tenure with customers in the Industry & Services industry vertical is approximately ten years.

In the Telco & Media industry vertical, we serve major telecommunications and media providers in Italy, such as TIM, BT and Tiscali. Our average relationship tenure with customers in the Telco & Media industry vertical is approximately ten years.

In the Energy & Utilities vertical, we serve the largest energy and utilities providers in Italy, including Enel, the leading Italian electricity generation and distribution provider, and Eni, the leading Italian gas supplier. Our average relationship tenure with customers in the Energy & Utilities industry vertical is approximately ten years.

Material Contracts

Our contract have terms that differ depending on whether we are contracting with public or private sector customers. The following is an overview of the typical structures of our public and private sector customer contracts, along with summaries of some of our key contracts.

Public sector contracts. The majority of our contractual relationships within the public sector are governed by framework agreements that are awarded by appointed public procurement bodies pursuant to competitive public tenders. A framework agreement is typically granted to one or more suppliers, or to a consortium of suppliers, based on a selection process involving an economic and technical evaluation of bids. Each framework agreement sets forth a catalogue of products and services that the supplier can provide and the terms governing the provision of such products and services over the duration of the framework agreement, including the maximum quantity and value of products and services to be provided. Throughout the duration of the framework agreement, the appointed procurement bodies may submit individual purchase orders to the suppliers for products and services. The duration of framework agreements typically ranges from two to five years with an option for the customer to extend the agreement by an additional year at the end of the framework period.

We are currently party to a number of framework agreements with public bodies, including, among others, with (i) *Regione Lombardia*, for the development, management and maintenance of the regional government's IT systems, systems related to their management of human resources and for generic maintenance services, (ii) *Regione Veneto*, *Regione Piemonte, Regione Emilia Romagna, Regione Liguria*, for the development, management and maintenance of these regional governments' IT systems, (iii) *Sogei*, a government-owned provider of IT services to Italian governmental entities, for the development of software for Sogei's tax-management and business intelligence systems, the management of the Italian Ministry of Economy and Finance's IT infrastructure and the development management and maintenance of IT systems for the highest Italian tax court (*Corte dei Conti*), (iv) *INAIL*, for the development and maintenance, together with certain other suppliers, of back-end systems for INAIL's operations, software for the management of INAIL's human resources and systems for the operation of INAIL's insurance and risk programs and (v) *INPS*, for the development and maintenance, as part of a temporary joint venture with Eustema S.p.A., of INPS applications and software for the management of retirement benefits and social security contributions.

Our largest customer in the public sector accounted for 2% of our revenues for the year ended December 31, 2019.

Private sector contracts. In the private sector, our contracts are generally awarded based on competitive bidding, with key terms varying depending on the services rendered. In the IT Services area, the typical contract duration is between one and three years, with fee structures ranging from daily fees and as-a-service fees to on-premises license fees. Performance under our IT services contracts is generally measured on the basis of response, delivery and troubleshooting times and service availability.

Our largest contracts with private parties include, among others, contracts with (i) *Intesa Sanpaolo*, one of the largest banks in Italy, for the supply and maintenance of certain IT services and products, (ii) *FCA*, for the supply and maintenance of IT products and services, (iii) *Enel*, for the integration of SAP and the development and maintenance of Enel's HR system and (iv) *Piaggio*, an Italian motor vehicle manufacturer, for the supply of certain IT services based on the SAP platform and for the supply to Piaggio of certain technological devices.

Our largest customer and our top ten customers in the private sector accounted for 8% and 34%, respectively, of our revenues for the year ended December 31, 2019.

Suppliers and Partners

We have strong relationships with more than 50 major IT and software companies (such as Microsoft, SAP, Salesforce, Google, Amazon, Adobe, SAS, IBM, BMC, CEGID and Cisco). We rely on many of these companies both for the supply of certain services and products necessary for the operation of our business, such as hardware and certain software products and services (in which case, we refer to them as suppliers), and for the provision of products and services that we manage, implement and co-develop to our customers (in which case we refer to them as partners). The IT products and technologies that we manage, implement and co-develop with our partners include, among others, cybersecurity, cloud, AI and robotic process automation. We also cooperate with these partners in connection with the activities we conduct in relation to Application Transformation and Managed Services. See "—*Our Business—Activities*."

Certain of our agreements for the supply of services and products including with our suppliers and partners contain change of control provisions that, subject to certain conditions, may allow the counterparty to terminate the contract.

We use products and services provided by our suppliers in the provision of our own products and services as follows:

- ***Integration***. Products and services provided by our suppliers are often complementary to our own products and services, and we are able to integrate our own offerings with those of our suppliers. For example, we integrate Salesforce relationship management services into our own solutions.
- ***Incorporation***. We enter into agreements for the supply of products and services that are necessary for the operation of our products and services. For example, we license portions of code that we then incorporate into our own software and we worked with Cisco to develop *Hycards*, a platform for the management of membership cards, loyalty programs and for the optimization of relationships with customers, updating our customers' existing loyalty program software.
- ***Resale***. We enter into distribution agreements that allow us to sell products and services of our suppliers to our customers. For example, we sell products and services provided by Adobe.

We benefit from long-lasting multi-year relationships with our suppliers and partners and, given our nature of open partner ecosystem, we constantly continue to expand our partnership network.

Research and Development

Innovation has always been a key element for our competitiveness, long-term sustainability and success. We continuously invest in R&D and innovation to support the ongoing improvement of our organization in increasing our competitive capacity and fulfilling the needs of a fluid, rapidly changing market. We believe that investing in R&D will help us continue to grow in the future.

We spent approximately €27 million in 2019 on R&D. As of the date of this Offering Memorandum, we are involved in more than 70 research projects within the following key areas, spanning across all our industry verticals: digital industry, smart transportation, digital and physical security, smart city, smart government, energy, waste management, 5G, digital media, cloud, big data, blockchain and AI.

Our R&D Lab is composed of a dedicated team of researchers and data scientists. We employ all members of our R&D Lab and operate all of our internal R&D activities in-house, while collaborating with our partners on larger research projects, particularly those sponsored by government entities, such as projects funded by EU grants. Our employees hold best-in-class certifications issued by our partners. Our R&D Lab, the core driver of our product and service innovation process, works closely with the following other business units:

- Our *Innovators' Network*, comprises over 200 innovation experts working among our market verticals and Group companies to analyze market trends and weaknesses and to translate them in ideas for innovative solutions and products. Our R&D Lab transforms the Innovators' Network's ideas into prototypes using the most innovative technologies and methods.
    - Our *Development Labs*, comprising a dedicated group of professionals (including senior developers and solution architects), use research performed in other units for the development of state-of-the art commercializable technologies for the benefit of our customers.
    - Our *Products Labs*, comprising a dedicated group of professionals (including subject matter domain experts, business process analysts and solution architects), are devoted to designing, developing and maintaining our proprietary solutions.
    - Our *Competence Centers*, staffed by a team of consultants with deep experience in design methodology, service design, project management tools and techniques, development methodology, cybersecurity, field management solutions, managed content services, document management, machine learning, data analysis, design thinking, and tools and security and work to support the design and development processes of the Innovators Network, Development Labs and Products Labs.

Our R&D Lab, together with our Innovators Network, Development Labs, Products Labs and Competence Centers, incubate and prototype new concepts through applied R&D projects in order to enrich our client offerings with innovative solutions and products.

Several of our research projects results in technologies that are used in our IT services, software and digital platforms. The results of our research projects are transforming and improving our offerings to our customers. For example, our *Digital Enabler* ecosystem platform, which provides a comprehensive solution to facilitating a data-driven digital transformation of our customers' organizations, is the outcome of several European research projects based on *FIWARE* principles and assets in which we participated.

We are widely recognized among the most active ICT research companies in Europe, attracting funds from national and EU research programs. We are ranked among the top 15 European companies in terms of participation in, total amount of research funding awarded under, the European Union's Horizon 2020 Programme for Research and Innovation, and first in volume of security-related research projects funded by the European Union. In addition, we serve as industry partners within multiple European Institute of Innovation and Technology ("EIT") Knowledge and Innovation Communities ("KICs"). We are one of the founding Italian partner organizations and among the most active players in EIT Digital, an EIT KIC focused on strengthening Europe's position in the digital world by delivering digital innovations to the market and developing entrepreneurial talent to globally impact economic growth and improved quality of life. We have also recently joined EIT Climate KIC, an EIT KIC dedicated to accelerating the transition to a zero-carbon economy.

Moreover, to better serve our customers, our research activities enable us to form and maintain strong connections with a broad network of industrial and scientific partnerships and global collaborations. We maintain research partnerships with more than 40 universities and have strategic alliances with dozens of research centers in Europe, the United States, Latin America and Asia, such as Imperial College London, Keio University, Université Paris-Sud and Politecnico di Milano, among others. We also actively participate in a number of digital industry associations aimed at steering European innovation and promoting European research, including: FIWARE, the International Data Spaces Association, ECSO, EOS, BDVA, Nessi, EIT Digital, EIT Climate KIC, NESSI, AIoTI and 5GPPP.

We also deploy a significant amount of resources for the training of our technology engineers, core process specialists and digital scientists who support our entire production cycle. Our internal "Enrico Della Valle" IT & Management Academy, which is considered as one of the leading Italian corporate schools for IT, provides an integrated logistics and residency system with a focus on management master classes, technology upskills and personal skills, with approximately 11,000 eLearning courses per year resulting in more than 170,000 training hours in the year ended December 31, 2019. As of December 31, 2019, our IT & Management Academy trained more than 5,400 of our employees and released more than 7,200 certifications.

We believe that our strong focus on R&D as well as the significant amount of resources deployed to train our technology engineers, core process specialists and digital scientist, coupled with our strategic acquisitions, will allow us to face the constantly increasing talent shortage in the IT industry, representing the key challenge in the IT sector.

Sales and Marketing

We market our solutions and services to both existing and potential customers directly through our in-house sales and business development teams. Our sales and marketing strategy targets markets by activity type to deliver key industry-specific and multi-industry service offerings to our customers. We leverage our broad, multi-industry service offerings to develop packaged solutions tailored to achieve a specific scope of work that we then offer to corporate customers, while maintaining a disciplined approach to pricing and contracting. We also focus on developing prospective customer relationships through market research and analysis, renewing expiring contracts and leveraging existing client relationships to offer additional services. Our sales efforts typically involve extended selling cycles and our expertise in specific industries is critical to secure new business opportunities. Our sales force receives a fixed salary and an additional variable portion based on performance.

We have designated account managers for each of our strategic customer relationships. The account manager is supported by our Competence Centers to ensure the best possible solution is provided to our customers. Our sales force is primarily organized by industry vertical-specific teams that are supported by activity-specific personnel. Significant new business opportunities are reviewed by business and sales leaders from the applicable industry vertical, operations personnel, and members of our finance department. If they determine that the new business is aligned with our strategic objectives and a good use of our resources, then our business development team is authorized to pursue the opportunity. Our sales and marketing teams coordinate to ensure the effective targeting of prospective customers.

Intellectual Property

We provide value to our customers based in part on a differentiated range of proprietary inventions, methodologies, software, reusable knowledge capital and other intellectual property. We recognize the increasing value of intellectual property in the marketplace and create, harvest, and protect this intellectual property. We leverage trade secret, copyright, trademark and patent laws, as well as contractual arrangements to protect our intellectual property. We own a number of patents, trademarks and copyrights worldwide and have pending patent, trademark and copyright applications. We seek patent protection for those inventions likely to be incorporated into our products and services, or where obtaining such proprietary rights is possible and will improve our competitive position. We do not hold any patents that are material to our businesses. As of March 31, 2020, we held approximately ten trademark registrations in Italy and the European Union, including, *inter alia*, the signs of *Engineering*, *Qualipso*, *Bitglue*, *AREAS*, *Trend*, *ellipse*, *spagobi*, *Engineering IT Works*.

Our business relies on software. With respect to proprietary software, we claim copyright on all such software, registering works which may be accessible to third parties. In addition, we rely on maintaining source code confidentiality to ensure our market competitiveness. We also use third party intellectual property. We have acquired all material licenses for such software and any other third party intellectual property. We comply with the terms and conditions of these licenses and have not faced any material claims in relation to the breach of any third party copyrights.

Quality Assurance

We believe that providing a consistent high-quality service is critical in our customers' decision to retain our services and for us to build long-term relationships with them. Our quality control framework is based on the certification of our operations and processes, regular process audits by our internal compliance team and independent external quality assurance providers. Our operations and processes are certified to the following internationally recognized standards:

- UNI EN ISO 9001:2015: this standard regulates the provision of IT service solutions, the analysis, design and development of software, the design and supply of full outsourcing services, the provision of computer systems installation, management and support and the design and provision of strategic ICT infrastructure, among others.
- ISO-IEC 20000-1:2011: this standard regulates the provision of IT service management systems that support the provisioning of data center services such as application and facility management.
- ISO 27001:2013: this standard regulates the design and provision for the retention of digital documents and the design, development and provision of services for the management of computerized administration of personnel, among others.
- ISO 14001:2015: this standard regulates the provision of data center, hosting, housing, managed service, server farm, storage, backup and cloud services, among others.
- AQAP 2110/AQAP 160: this standard developed by NATO establishes standards for the design, development and maintenance of IT systems suitable for military use.

We are routinely subject to audits by our customers in regard to our compliance with the abovementioned standards. Certain of our contracts, such as for example our contracts with certain military customers, include provisions that allow such customers to terminate their contracts with us in case we fail to maintain our compliance with the abovementioned standards. We also publish a Corporate Social Responsibility Report, which is available on our website.

Regulation

In providing services and solutions to customers, we often manage, utilize and store sensitive or confidential customer or company data, including personal data, and therefore we must comply with strict data protection and privacy laws, such as the GDPR, in all the jurisdictions in which we operate. In addition, participation in public tenders subjects us to further regulation under the Italian Code of Public Contracts (the "ICPP"), currently set forth in Legislative Decree No. 50 of April 18, 2016 and related implementing measures. The ICPP replaced the previous code of public contracts set forth by Legislative Decree No. 163 of April 12, 2006, which, however, continues to regulate all the tender procedures based on calls for bids published before April 19, 2016. The provisions of the ICPP are mainly aimed at ensuring that public contracting authorities/entities apply the best criteria to select contractors in terms of costs and quality of the relevant offers in compliance with the EU principles of efficiency, free competition, non-discrimination, transparency and proportionality.

According to the ICPP, participation in public tenders requires us to meet three main sets of requirements, namely (i) general morality requirements, (ii) economic and financial capacity and (iii) technical and professional skills. Requirements (ii) and (iii) are identified by the awarding entities on a case-by-case basis since they relate and proportionate to the subject matter of the public tender; requirement (i) has a general scope and aims at excluding from the tenders, amongst others: (a) subjects or entities that have been convicted of certain types of crimes with a non-appealable judgment (including, participation in criminal organizations, corruption, bribery, fraud, terrorism and mafia-related crimes), (b) entities facing bankruptcy or involved in proceedings for the declaration of bankruptcy, (c) entities which failed to pay social security contributions or taxes, (d) subjects or entities found guilty of material professional misconduct which renders their integrity or reliability questionable, (e) entities which rendered misrepresentations, (f) entities subject to the sanctions disqualifying them from exercising certain activities as provided by LD 231/2001.

Properties

Our headquarters are located in Rome. Including our headquarters in Rome, we operate approximately 50 offices in countries including Italy, Spain, Germany, Belgium, the United States, Turkey, Brazil, Argentina and Serbia. We lease the majority of our facilities, and we own a real estate complex in Orvieto, a real estate asset in Padova, an industrial complex in Torre Annunziata and the premises of our "Enrico Della Valle" IT & Management Academy in Ferentino, Rome.

Data Centers, Development Labs and Delivery Centers

We operate four state-of-the-art data centers located in Milan, Vicenza, Turin and Pont-Saint-Martin, which are designed to provide the highest levels of availability and resilience required for mission-critical IT products and services. Our data centers handle more than 10 million gigabytes per year and host more than 21,000 servers. We lease the premises in which our data centers are located, while we own the equipment through which our data centers are operated. We lease seven development labs in Rome, Naples, Padua, Palermo, Turin, Belgrade and Siena where we develop our software.

Environment

We are committed to respecting the environment also through the reduction of the impact of our business activities on the environment. We have implemented processes to this effect and systematically evaluate the environmental impact of our activities. We have established contingency plans for the management of emergencies with potentially hazardous outcomes for the environment and through an evaluation of the environmental consequences of our new products and services. Although we consider our activities to have a low pollution risk, we have implemented an ISO 14001:2015-certified environmental management system, a certification which also covers our Pont-Saint-Martin, Vicenza, Naples and Palermo sites and our subsidiaries operating at those sites (i.e., Municipia, Engineering D. HUB, Nexen and Webresults). This management system, along with our annual ESG reporting, allows us to systematically evaluate the environmental impact of our activities, monitor performance and improve processes linked to the relevant environmental factors (electricity consumption, fuel and electronic waste and risks related to land spills) with respect to our four data centers in Milan, Vicenza, Turin, and Pont-Saint-Martin, our approximately 50 offices in Italy, and our car fleet. We also comply with applicable legislation with respect to the control of emissions into the atmosphere, soil and water.

We deploy resources that we consider sufficient for the implementation of our environmental policies and objectives. In order to reduce the impact on the environment, all electronic waste produced at our data centers is first analyzed at our two storage centers in Rome and Pont-Saint-Martin, then transferred to specialized and certified firms for the recycling of materials. We maintain a high level of sustainability by guaranteeing that the majority of the electronic waste produced by the data centers is reused in other industrial sectors. To optimize the management of electronic waste, we have implemented a sustainable system in the Italian offices that enable us to limit the costs of purchasing new PCs and has a more limited impact on the environment, with a lower average standard production of electronic waste related to PC replacement. For several years, the Group's Technological Infrastructure Services ("SIT") office has developed a strong and efficient system for the restoration of damaged computers through the replacement of damaged or obsolete components, which contributes to a more sustainable use of available resources and, at the same time, reduces our operational costs.

We also comply with applicable regulations concerning the responsible use of energy and the sustainable use of transportation, including Law No. 10 of January 9, 1991, the Decree of the Ministry of the Environment of March 27, 1998 and Legislative Decree No. 152 of April 3, 2006, and we have identified the competent energy manager. In order to limit our carbon foot print and greenhouse gas emissions, we have adopted a business travel policy that places special emphasis on fuel consumption and emission limits also to reduce the average fuel consumption threshold, thereby ensuring a decline in CO_2 and other polluting emissions caused by our employees. The total grams of carbon dioxide emitted per kilometer by our company car fleet decreased by approximately 13% between 2017 and 2018.

Our Group offices are all plastic-free and our headquarter offices in Rome are LEED certified.

Our data centers are continuously upgraded with new technology to significantly decrease electricity consumption and continue to do so. We decreased extraction of groundwater for cooling at our data centers by approximately 5% between 2017 and 2018. As of May 2020, we estimate that our main Pont-Saint-Martin data center and our Vicenza data center maintained Power Usage Effectiveness ("PUE") scores of 1.61 and 1.85, respectively, and the Group maintained an overall PUE of 1.65. These PUE scores indicate good energy sustainability performance according to industry consortium The Green Grid. In addition, Pont-Saint-Martin data center is undergoing optimizations to its cooling system that we estimate will allow it to lower its PUE score to 1.45 by the end of 2020, contrary to an industry trend which has seen an increase of PUE scores from a worldwide average of 1.58 in 2018 to 1.67 in 2019, according to a leading industry consultancy.

We also support the sustainability goals of the UN Agenda 2030, which aims to ensure a sustainable future for people, business and society by targeting innovative digital solutions in the fields of energy and mobility transition, sustainable consumption, energy and resource-saving production, and transparent supply chains. We are recognized as a leading company within the cybersecurity sector in terms of promoting sustainability and received a special mention at the Biblioteca Bilancio Sociale awards in 2018. Within our Public Administration industry vertical, we offer sustainable city ecosystem platforms through which we advise city administrators on creating new smart services or improving existing smart services for various municipal services such as public transportation and waste management. Our sustainable city solutions allow us to embed innovative technologies into municipal services in a sustainable and transparent way and enable companies and society to focus on their own efficiency and sustainability outcomes.

Employees

The following table sets forth the number of our employees expressed in FTE by function as of December 31, 2017, 2018 and 2019 and as of March 31, 2019 and 2020, respectively:

	As of December 31,			As of March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
Executives	366	388	406	382	398
Managers	1,830	1,997	2,102	1,996	2,606
Other employees	7,220	7,995	8,815	7,912	8,574
Total*	**9,416**	**10,339**	**11,323**	**10,290**	**11,578**

* Employee figures are FTE figures (excluding temporary workers). Employee figures are based on the number at period-end.

Our relationship with the majority of our employees in Italy is subject to collective bargaining agreements. In general, the collective bargaining agreements include terms that regulate remuneration, minimum salary, salary complements, extra time, benefits, bonuses and partial disability. Our employees in Italy are subject to various collective bargaining agreements ("CCNL") including, among the others, CCNL for employees in the mechanical engineering sector, CCNL for employees in the trade companies sector, CCNL for employees in the telecommunications sector and CCNL for executives in the industrial sector.

Trade unions and work councils are active at all our premises and as of March 31, 2020, 6.9% of our employees were unionized. We have entered into a company-wide collective agreement with trade unions active in our company regulating annual performance bonuses and employee social security. We have also entered into a further company-wide collective agreement regulating remuneration and health insurance of executives. We consider our relations with employees, trade unions, and work councils to be good and we have not experienced any significant labor issues in the past three years.

We are required by Italian law to employ employees considered by law to be disabled in a percentage constituting at least 7% of our workforce. We are also required by Italian law to employ employees considered by law to be disadvantaged in a percentage constituting at least 1% of our workforce. As of March 31, 2020, we were in compliance with these legal requirements.

Pensions

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento di fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. We have in place both defined-contribution and defined-benefit pension plans. We make pension contributions on behalf of our employees as required by applicable Italian law. Other than increases in contributions required by law, we do not expect significant pension liabilities going forward.

Insurance

As an integral part of our risk management program, we maintain insurance coverage for property damage, professional indemnity, general third party liability, directors' and officers' liability and employers' liability as well as cybersecurity and GDPR breaches liability. Insurance cover for these risks is provided through a combination of self-insured deductibles and annual aggregates. Our insurance coverage is reviewed on an annual basis. We believe the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with similar companies in the same industry sector.

Legal Proceedings

From time to time we become involved in claims and legal proceedings that arise in the ordinary course of business, such as disputes with our customers and suppliers, authorities or business partners, labor law disputes and disputes relating to intellectual property. These disputes can entail amounts that are material for the operation of our business. Our main ongoing material disputes are:

- ***Sicilia Digitale proceedings***. As of the date of the Offering Memorandum, we are involved, through our subsidiary, SISEV, in two disputes against Sicilia Digitale S.p.A. ("Sicilia Digitale") and Regione Siciliana for unpaid amounts of approximately €108 million for both proceedings. In particular, in 2016, in the context of a claim to obtain payment of approximately €80 million of unpaid invoices, Regione Siciliana and Sicilia Digitale filed a counterclaim against us alleging a breach of contract and claiming damages for an amount of €96 million. As of the date of this Offering Memorandum this litigation is still ongoing. Following an order by the competent court, we settled a previous litigation against Sicilia Digitale for unpaid invoices in an amount of approximately €20 million (of which €13 million were awarded to us and the remainder to a co-contractor) as compared to an original amount claimed of approximately €30 million. An appeal is currently stayed pending with respect to such litigation and could be initiated in the event the settlement agreement is terminated by us as a result of a breach by Sicilia Digitale of its obligations**.** As of March 31, 2020, we have made provisions in an amount of approximately €64 million (including approximately €36 million of accrued interests) to cover any settlements or unfavorable judgments in these proceedings.
- ***Servizi Previdenziali S.p.A. proceeding***. We are involved in a dispute with a customer, Servizi Previdenziali S.p.A. ("Servizi Previdenziali"), for an amount of approximately €4 million for damages arising out of a breach of contract. As of the date of this Offering Memorandum, the Court of Rome issued an initial judgment rejecting all of Servizi Previdenziali's claims and Servizi Previdenziali has appealed this judgment. The first hearing of the appeal is scheduled for September 22, 2020. We have not made any provisions to cover any settlement or unfavorable judgment in this matter.
- ***Pradac proceeding***. We are involved in a dispute with a supplier, Pradac, for an amount of approximately €12 million for claims of abuse of a position of economic dependence. On January 8, 2020, the Court of Rome rejected all of Pradac's claims. While as of the date of this Offering Memorandum, Pradac has not yet appealed the Court of Rome's judgment, the deadline to file an appeal has not expired. We have not made any provisions to cover any settlement or unfavorable judgment in this matter given the Court of Rome's decision against Pradac.

Other than what disclosed herein, we are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our reputation, financial position or results of operations. We note, however, that the outcome of legal proceedings can be extremely difficult to predict, and we offer no assurances in this regard.

MANAGEMENT

The Issuer

The Issuer is a holding company which was formed in connection with the Transactions. The Issuer was incorporated in Italy on March 20, 2020 as a joint stock company (*società per azioni*). The Issuer is registered under number 11230560960 with the Companies Register of Milan (*Camera di Commercio di Milano, Monza, Brianza, Lodi*), and has its registered office in Milan, Italy, at Viale Bianca Maria, no. 25, 20122. The Issuer has an authorized share capital of €50,000.00 divided into 50,000.00 fully paid shares with a par value of €1.00 each. The Issuer's immediate and only shareholder is TopCo, which is indirectly controlled by the Sponsors. See "*Principal Shareholder*."

The Issuer currently has a board of directors comprising four directors. Set forth below are the members of the Issuer's board of directors as of the date of this Offering Memorandum.

Name	Age	Position
Michele Quaranta	44	Chairperson of the Board of Directors
Luca Bassi	49	Director
Giovanni Camisassi	32	Director
Giovanni Camera	36	Director

The members of the Issuer's board of directors can be contacted at the Issuer's business address: Viale Bianca Maria, no. 25, 20122, Milan, Italy.

Set out below are brief summaries of the biographies of the members of the Issuer's board of directors.

Michele Quaranta is a managing director at Neuberger Berman and a partner of NB Renaissance Partners. Prior to joining Neuberger Berman in 2015, he was a principal in the private equity group of Intesa Sanpaolo's corporate and investment banking division from 2008 to 2015, an associate first and subsequently vice president of Intesa Sanpaolo's M&A advisory from 2003 to 2008 and an associate in Intesa Sanpaolo's equity capital markets group from 2000 to 2003. Mr. Quaranta sits on the boards of Engineering, Comelz, Camoga, Termomeccanica, Termomeccanica Pompe, Rino Mastrotto and Odissea. Mr. Quaranta holds a degree in business administration from the University of Bari in Bari, and an MBA from Bentley College in Boston.

Luca Bassi is a managing director of Bain Capital's European private equity team, and is also co-head of the technology, financial and business services vertical. Prior to joining Bain Capital in 2003, Mr. Bassi was an associate in the investment banking division of Goldman Sachs in London from 2000 to 2003 and a strategy consultant at Bain & Company in Milan prior to that. Mr. Bassi sits on the boards of Nexi and Esure. Mr. Bassi holds an MBA from Columbia Business School and a bachelor's degree in economics from Bocconi University in Milan.

Giovanni Camisassi is vice president of Neuberger Berman and of NB Renaissance Partners. Prior to becoming vice president in 2019, Mr. Camisassi was a senior associate from 2016 to 2019, and an analyst from 2015 to 2016. Prior to joining Neuberger Berman, Mr. Camisassi was an analyst at Société Générale CIB from 2013 to 2015, and a corporate finance analyst at Ernst & Young from 2012 to 2013. Mr. Camisassi sits on the boards of Comelz, Camoga, Develer, A.G. Viaggi. Mr. Camisassi holds a degree in corporate finance and control from Bocconi University in Milan.

Giovanni Camera is a member of Bain Capital's European private equity team, and is also a principal in the technology, financial and business services vertical. Prior to joining Bain Capital in 2012, Mr. Camera was an associate at JP Morgan from 2010 to 2012, an investment analyst at the International Finance Corporation from 2009 to 2010, and an analyst at JP Morgan from 2007 to 2009. Mr. Camera holds an MSc in finance and a bachelor of science in business administration from Bocconi University in Milan.

The Target

The Target was incorporated in Italy as a *società per azioni* on June 6, 1980. The Target is registered under number 00967720285 with the Companies Register of Rome (*Camera di Commercio di Roma*), and has its registered office in Rome, Italy, at Piazzale dell'Agricoltura, no. 24. The Target has an authorized share capital of €40,081,172.00 paid-up for an amount of €31,875,000.00 divided into multiple classes of shares.

Executive Management of the Target

The Target is managed by an executive management team consisting of four key members, each of whom oversees a specific aspect of the Target's business. See "*Risk Factors—Risks Related to Our Business and Industry—The loss of members of our senior management team could have an adverse effect on our operations.*"

Set forth below are the members of the Target's executive management team as of the date of this Offering Memorandum:

Name	Age	Position
Paolo Pandozy	69	Chief Executive Officer
Armando Iorio	63	Chief Financial Officer
Francesco G. Schininà	41	Head of M&A
Edward Abbiati	47	Head of Strategic Marketing

The members of the Target's executive management team can be contacted at the Target's business address: Piazzale dell'Agricoltura, no. 24, 00144, Rome, Italy.

Set out below are brief summaries of the biographies of the members of the Target's executive management team.

Paolo Pandozy has been Chief Executive Officer since 2009. Prior to becoming Chief Executive Officer, Mr. Pandozy was our general manager. Mr. Pandozy joined Engineering in 1982. Mr. Pandozy sits on the board of Engineering D-hub and Engineering 365. Mr. Pandozy also sits on the board of Cefriel, a digital innovation center founded by Politecnico di Milano, and MERMEC, a company focused on railway inspection and diagnostics. Mr. Pandozy holds a bachelor of science in engineering from La Sapienza University in Rome.

Armando Iorio has been Chief Financial Officer since 2004. Prior to becoming Chief Financial Officer, Mr. Iorio was a management control director from 1993 to 2003. Mr. Iorio sits on the boards of Engineering, Nexen, DHub, Webresult, Engineering 365, OverIT, Municipia and Deus T. Mr. Iorio holds a bachelor of arts in economics from the University of Naples.

Francesco G. Schininà has been head of M&A since 2017. Prior to joining Engineering, Mr. Schininà was a credit analyst at Cairn Capital from 2014 to 2017, a senior associate at Apax Partners from 2007 to 2013 and an associate at Lehman Brothers from 2003 to 2007. Mr. Schininà holds a bachelor in economics from La Sapienza University in Rome and an MBA from MIT Sloan School of Management.

Edward Abbiati has been head of strategic marketing since 2018. Prior to joining Engineering, Mr. Abbiati was a business development director at Gartner from 2013 to 2018, a general manager at Think Out from 2012 to 2013, a sales director at DEsolutions from 2010 to 2011 and a client principal at Hewlett-Packard and EDS Group from 2009 to 2010. Mr. Abbiati holds a bachelor of arts in economics and sociology from Royal Holloway, University of London.

Executive Management Compensation

The Company's Chief Executive Officer and the President of the Board of Directors of the Target received total remuneration of €1.6 million in the year ended December 31, 2019.

Management and Control Organizational Model Pursuant to LD 231/2001

The Target adopted a management and control organizational model in accordance with LD 231/2001, effective from November 2003. This organizational model identifies areas where the Target and its subsidiaries could be at risk by mapping the structures and business processes of the company, and identifying the areas and business activities which are potential "crime-risks" as well as the procedures and controls in place to avoid such crimes. Such management and organizational model also governs the functions and powers of a dedicated supervisory body (*organismo di vigilanza*) which is in charge of supervising the functioning of the Target, the Target's adherence to the management and organizational model and to the additional internal procedures, and the Target's commitment to constantly update those procedures.

ISO 37001 Certification

We are certified under ISO 37001. ISO 37001 certification is granted to organizations that have implemented a compliant anti-bribery management system. In 2019 we implemented measures to comply with the requirements set forth under ISO 37001, which provides guidance for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system. ISO 37001-certified companies have higher chances of detecting bribery.

Share Ownership

Following completion of the Acquisition, the Sponsors expect to allocate a portion of the share capital of Centurion Midco S.à r.l., an indirect parent company of the Issuer, to certain current and future members of our senior management team. See "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions—Management Co-Investment Plan.*"

Code of Ethics

We have adopted a code of ethics with which all our employees are required to comply. Our code of ethics was first adopted in 2004 and is regularly updated, most recently in January 2019. Our code of ethics outlines expected behavior of our employees, guidelines for the management of confidential information and business conduct. Violations of our code of ethics can be reported through a whistleblowing reporting portal, by mail service and, since 2008, through a publicly available e-mail address. Our code of ethics prohibits retaliation against whistleblowing employees and guarantees their protection. Our supervisory board reviews reports of breaches of our code of ethics.

PRINCIPAL SHAREHOLDERS

The Issuer

The Issuer was incorporated in Italy as a *società per azioni* on March 20, 2020. The Issuer is registered under number 11230560960 with the Companies Register of Milan (*Camera di Commercio di Milano, Monza, Brianza, Lodi*), and has its registered office in Milan, Italy, at Viale Bianca Maria, no. 25, 20122. The Issuer has an authorized share capital of €50,000.00 divided into 50,000.00 fully paid shares with a par value of €1.00 each.

Upon the consummation of the Acquisition, Bain Capital and Neuberger Berman will indirectly hold (through wholly owned or majority-owned intermediate holding companies) substantially all of the share capital of the Target (other than the indirect shareholding being acquired by management). We expect that Bain Capital and Neuberger Berman will each hold 50% of the share capital of the Target subject to in any event to the allocation of a portion of the share capital of Centurion Midco S.à r.l. for equity co-investments by certain member of Target's management, as described below. The Issuer is a wholly owned subsidiary of TopCo and the rights of the indirect shareholders in TopCo are governed by the Shareholder Agreement (as defined herein). *See "—Shareholder Agreement*." Pursuant to such Shareholder Agreement, the Sponsors expect to allocate a portion of the share capital of Centurion Midco S.à r.l., an indirect parent company of the Issuer, for equity co-investments by certain members of our senior management team through an incentive plan to be implemented on or following completion of the Acquisition. See "*Certain Relationships and Related Party Transactions—Management Co-Investment Plan.*"

Following the Acquisition, the Issuer will be the direct owner of 100% of the entire issued and outstanding share capital of the Target.

For an overview of our corporate structure see "*Summary Corporate and Financing Structure*."

Our Principal Shareholders—Bain Capital and Neuberger Berman

Bain Capital is a leading global private investment firm that advises and manages capital across several asset classes, including private equity, public equity, fixed income and credit, venture capital and real estate investments across multiple sector industries and geographies. Since its inception in 1984, Bain Capital and its affiliates have completed over 960 primary and add-on investments in a broad range of industries, including technology, financial and business services, industrials, media and telecommunications, healthcare and consumer / retail. Bain Capital's global team of over 450 investment professionals, 50 portfolio professionals and over 1,000 employees creates value for its portfolio companies through its global platform and depth of expertise, managing approximately $105 billion in total and leveraging the firm's shared platform to capture opportunities in strategic areas of focus. The firm not only has a strong track record of investments in Technology, Media and Telecommunications companies such as Kantar, Nets, Nexi, TeamSystem, Worldpay and Zellis, but also in transformational investments in Italy, including its investments in Cerved, Fedrigoni and Italmatch Chemicals. Bain Capital has investors from across the world that include sovereign wealth funds, public pension funds, foundations, insurance companies, family offices, high-net-worth individuals and funds of funds. Headquartered in Boston, Bain Capital and its affiliates have offices in Chicago, Palo Alto, San Francisco, New York, Dublin, London, Luxembourg, Munich, Madrid, Hong Kong, Shanghai, Guangzhou, Mumbai, Sydney, Tokyo, Melbourne and Seoul.

Neuberger Berman is a private, independent and employee-owned investment manager active since 1939 with a net worth of $330 billion of which approximately $95 billion are dedicated to alternatives funds. Neuberger Berman employs approximately 2,300 employees, approximately 650 of which are investment professionals. Almost 230 of Neuberger Berman's investment professionals exclusively focus on the global private market. Neuberger Berman has a direct presence in 35 cities around the world. Neuberger Berman has a strong track record in supporting portfolio companies in their organic and M&A expansion in order to deliver strong long-term performance. In Italy, Neuberger Berman, through its private equity activity NB Renaissance Partners, has also successfully invested in market-leading companies, including Alfasigma, Biolchim, Comelz, Farnese Vini, Guala Closures, Hydro Holding, Novamont, Rina, Rino Mastrotto Group and Uteco Group. Neuberger Berman accompanies and promotes its investee companies throughout their development in cooperation with management and in partnership with other shareholders. Neuberger Berman employees have invested approximately $3 billion of their own capital as co-investors. Neuberger Berman has a strong focus on ESG criteria compliance.

Shareholder Agreement

On February 5, 2020 the direct shareholders and certain indirect shareholders of TopCo entered into a co-investment and shareholder agreement (the "Shareholder Agreement") governing the mechanics for the funding of the Acquisition as well as their rights with respect to management and corporate governance of the Group and the future divestment therefrom. On March 25, 2020, Centurion Topco S.à r.l., Centurion Midco S.à r.l., Centurion Holdco and TopCo and the Issuer adhered to the Shareholder Agreement.

The Shareholder Agreement provides for certain governance rights to be exercised, directly or indirectly (as the case may be), by the Sponsors. Voting rights (*e.g.* for the appointment of the corporate bodies) are equally distributed among the Sponsors; nevertheless, should the equity contributed by one of the Sponsors be lower than certain thresholds, the relevant voting rights will be automatically reduced accordingly. Also veto rights in the shareholders' meetings and board of directors' resolutions are granted based on the equity contributed by each of the Sponsors. Conversely, economic rights are held proportionally with the corporate capital respectively held, directly or indirectly, in the vehicles. Specific provisions govern the designation and appointment of the Chairman, CEO and CFO of Target.

With reference to Centurion Topco S.à r.l., the Sponsors are granted with a customary right of first offer, tag-along and drag along rights and a four-year lock-up undertaking is also provided for under the Shareholder Agreement. Please note that rules on transfer are based on the equity contributed in Centurion Holdco S.à r.l. by the Sponsors in the same manner as the governance rights.

According to the Shareholder Agreement, certain members of our senior management and future managers will be entitled to participate to an incentive plan to be implemented as soon as practicable following completion of the Acquisition. The Shareholder Agreement contains other customary provisions regarding confidentiality, compliance undertakings, information rights and cooperation See "*Certain Relationships and Related Party Transactions—Management Co-Investment Plan.*".

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

General

In the course of our ordinary business activities, we have entered into certain related party transactions with our shareholders, key management and affiliated companies and persons. We believe that all such transactions have been negotiated and conducted on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third parties. For an overview of the material transactions between the Group and its related parties please refer to the notes to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 included elsewhere in this Offering Memorandum.

Other current liabilities as at March 31, 2020 and December 31, 2019, 2018 and 2017 include post-employment benefit payables to some of our senior managers under a stability pact signed in 2009.

In 2017, the Target established a stock option plan for employees, consultants, collaborators and directors of the Company and certain other companies controlled by the Group in order to incentivize the Group's commitment to growth and the loyalty of the beneficiaries. Subject to certain terms and conditions, participants in the stock option plan are granted the right to subscribe for shares in the Company's share capital. Upon completion of the Acquisition, the stock option plan will be closed.

Some of the Company's key executive management members including the CEO, have entered into a non-compete agreement with the Company and certain of its subsidiaries, for which they have been compensated.

Certain directors of the Issuer hold a carried interest in the fund that currently owns, and following the Acquisition Closing Date in the different fund that will own, a portion of the shares of the Target.

Management Co-Investment Plan

As part of the Acquisition and pursuant to the Shareholder Agreement, the Sponsors expect to allocate a portion of the share capital of Centurion Midco S.à r.l., an indirect parent company of the Issuer, for equity co-investments by certain current and future members of our senior management team, including our Chief Executive Officer, Paolo Pandozy, and our Chief Financial Officer, Armando Iorio, through an incentive plan to be implemented as soon as practicable after the completion of the Acquisition (the "Incentive Plan"). According to the summary of the key terms and conditions set forth in the Shareholder Agreement, the Incentive Plan shall be implemented through the issuance of both *pari passu* co-investment shares and preferred return special shares, which will vest on different terms and on basis of different performance parameters for each participant, provided that neither category of shares shall be entitled to voting rights. We currently expect to allocate 70% of the special shares to certain current key members of our senior management team with the remaining 30% being reserved for allocation to future key members. On or around the Acquisition Closing Date, it is expected that 20% of the total number of special shares will be allocated to the current Chief Executive Officer Paolo Pandozy. The current key members of our senior management team are expected to invest approximately €7.2 million through both *pari passu* and preferred shares, of which €5.6 million by Paolo Pandozy; in this perspective, the incentive plan will provide the CEO with different rights and obligations—including vesting conditions, leaver events, put and call options—with respect to the other members of the management team who will be included in the investment plan.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture 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. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Revolving Credit Facility Agreement

Overview and Structure

In connection with the Transactions, prior to the Issue Date, the Issuer has entered into a super senior revolving credit facility agreement with, among others, BNP Paribas, Italian Branch, as the agent, and U.S. Bank Trustees Limited, as the security agent (the "Revolving Credit Facility Agreement"). The Revolving Credit Facility Agreement provides for a super senior revolving credit facility in a principal amount of €160.0 million.

The Revolving Credit Facility may be utilized by the Issuer and certain of its restricted subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers of that facility (the "SSRCF Borrowers") and may be applied in or towards (directly or indirectly) (x) financing or refinancing the working capital requirements and/or the general corporate purposes of the Group and (x) any other purpose contemplated by the funds flow statement or the tax structure memorandum in connection with the Transactions.

The Revolving Credit Facility will be available in euros, sterling, U.S. dollars and certain other currencies readily available in the relevant interbank market by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and fronted basis).

The Revolving Credit Facility Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness (including under one or more uncommitted additional facilities within the Revolving Credit Facility Agreement and/or any additional notes and/or other facilities or notes documented outside the Revolving Credit Facility Agreement) up to an aggregate amount of the greater of €160.00 million and 100% of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Revolving Credit Facility may be utilized from (and including) the date of the Revolving Credit Facility Agreement to (and including) the date which is one (1) month prior to the maturity date of the Revolving Credit Facility.

Conditions Precedent

Utilizations of the Revolving Credit Facility are subject to customary conditions precedent.

Interest and Fees

Loans under the Revolving Credit Facility will initially bear interest at rates per annum equal to EURIBOR, or for loans denominated other than in Euro, LIBOR, plus an applicable margin, which in each case will be subject to a decreasing margin ratchet based on the ratio of Consolidated Senior Secured Net Debt as at the last day of the relevant period to Consolidated Pro Forma EBITDA in respect of that relevant period (each as defined in the Revolving Credit Facility Agreement) (the "Senior Secured Net Leverage Ratio").

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under the Revolving Credit Facility. If LIBOR is less than zero, LIBOR shall be deemed to be zero in respect of loans made under the Revolving Credit Facility.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility from the Closing Date (as defined in the Revolving Credit Facility Agreement, the "Closing Date") to the end of the availability period applicable to the Revolving Credit Facility at a rate of thirty (30)% of the applicable margin for the Revolving Credit Facility. Commitment fees will be payable quarterly in arrears and on the date the Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1% on the defaulted amount (subject to any customary Italian usury law exceptions).

Repayments

The loans made under the Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling sixty-nine months from the Closing Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to *de minimis* amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control."

A "Change of Control" for the purposes of the Revolving Credit Facility is defined as per the Notes.

Guarantees and Security

The Revolving Credit Facility will be initially guaranteed by the Issuer.

The Revolving Credit Facility will be secured by the Completion Collateral, the Post-Completion Collateral and the Post-Merger Collateral that also secures the Notes as set forth under "*Description of the Notes—Security*." The Revolving Credit Facility Agreement will provide that material subsidiaries (wholly owned members of the Group representing more than five (5) per cent. of Consolidated EBITDA) will guarantee the Facilities and, subject to the terms of the Agreed Security Principles set out therein, provide security over (x) shares owned by such Material Subsidiaries in other Material Subsidiaries and (y) any receivables owed to that Material Subsidiary by any Obligor. Furthermore, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer shall use commercially reasonable efforts to procure that, within 30 Business Days after the first anniversary of the Acquisition Closing Date, the Revolving Credit Facility Agreement will also be secured by the Target RCF Collateral, within 20 Business Days after the first anniversary of the Acquisition Closing Date, the Target will become a guarantor thereunder and, within 120 days after the first anniversary of the Acquisition Closing Date, certain material subsidiaries of the Target will become guarantors thereunder.

Subject to certain adjustments and the agreed security principles that apply to the Revolving Credit Facility Agreement, the Issuer is required to ensure that members of the Group that (x) are material subsidiaries and/or (y) collectively contribute in aggregate at least eighty (80) per cent. of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) are guarantors of the Revolving Credit Facility Agreement (i) on the earlier of the date which is (x) 120 days after (and excluding) the Merger Date (as defined in the Revolving Credit Facility Agreement) and (y) one hundred and twenty (120) days after (and excluding) the date falling twelve (12) Months after the Closing Date, and (ii) thereafter within 180 days of the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Revolving Credit Facility Agreement.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Revolving Credit Facility Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 120 days of such date).

Representations and Warranties

The Revolving Credit Facility Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including, among others, (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence and *pari passu* ranking, (ii) no insolvency, taxation and no litigation, (iii) no default, financial statements, base case model and reports (iv) no liens/guarantees/indebtedness, (v) good title to assets, (vi) intellectual property, (vii) acquisition documents and (viii) centre of main interests and compliance with sanctions and anti-corruption laws.

Certain representations and warranties will be made on the Closing Date and will be repeated on the date of each utilization, on the first day of each interest period (other than in the case of roll over cash drawings) and at certain other times.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) that are set forth in the Indenture.

The Revolving Credit Facility Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Issuer may not, and the Issuer shall procure that no restricted subsidiary will, repay, prepay, purchase, defease or redeem (or otherwise retire for value) any Notes prior to their scheduled repayment date. The exceptions to such covenant include (among other things) note purchases that do not exceed 50% of the aggregate of (i) the original aggregate principal face value amount of the Notes and (ii) the aggregate principal amount of outstanding Notes as at the Closing Date or (without double counting) when initially incurred at any time after the Closing Date (the "Notes Purchase Basket") or to the extent the aggregate principal face value amount of all note purchases exceeds the Notes Purchase Basket an amount of the commitments under the Revolving Credit Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are prepaid, purchased, defeased or redeemed (or otherwise retired for value), until the commitments under the Revolving Credit Facility are reduced to €80,000,000 (or its equivalent in any other currency or currencies).

The Revolving Credit Facility Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to (i) authorizations, (ii) compliance with laws; (iii) centre of main interests; (iv) provision of guarantees and security (v) compliance with sanctions, anti-money laundering and anti-corruption laws, (vi) further assurance and (vii) conditions subsequent.

In addition, the Revolving Credit Facility Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a flat ratio to be set with 40 per cent. headroom versus the base case model for the Revolving Credit Facility (which shall be calculated by reducing Consolidated EBITDA as set out in that base case model (the "Drawn Super Senior Leverage Ratio")). The Drawn Super Senior Leverage Ratio is calculated as the ratio of consolidated drawn loans under the Revolving Credit Facility, less the aggregate amount of cash, cash equivalents and temporary cash investments held by the Group (the "Drawn Super Senior Facilities Debt") to consolidated *pro forma* EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the aggregate outstanding principal base currency amount of all loans drawn under the Revolving Credit Facility (excluding any utilizations by way of letters of credit (or bank guarantees), ancillary facilities, any loans drawn on the Closing Date, any loans drawn to fund any original issue discount, other flex related payments or other fees, costs and expenses and, in each case, any Rollover Loans in respect of any such exclusions), less any cash, cash equivalents and temporary cash investments held by the Group exceeding 40% of the total commitments in respect of the Revolving Credit Facility (or, if higher, the total commitments in respect of the Revolving Credit Facility as at the date of the Revolving Credit Facility Agreement) on the relevant test date. The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Revolving Credit Facility Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Revolving Credit Facility Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to be (i) added to consolidated *pro forma* EBITDA (an "EBITDA Cure"), (ii) taken into account when calculating Drawn Super Senior Facilities Debt or (iii) taken into account when calculating if the Test Condition (as defined in the Revolving Credit Facility Agreement) has been met.

The EBITDA Cure right may not be exercised on more than five occasions during the term of the Revolving Credit Facility and may not be exercised more than twice in any four (4) consecutive financial quarters.

If the financial covenant has been breached but is complied with on the next test date or other relevant period prior to the next test date (the "Second Test Date) or the Test Condition (as defined in the Revolving Credit Facility Agreement) is not satisfied on the Second Test Date, then any prior draw stop event arising as a result shall be automatically deemed cured.

Events of Default

The Revolving Credit Facility Agreement provides for substantially the same events of default as under the Notes. In addition, the Revolving Credit Facility Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) inaccuracy of a representation or statement when made, (ii) unlawfulness and invalidity of the Revolving Credit Facility financing documents (including the applicable security documents), (iii) material failure to comply with the Intercreditor Agreement and (iv) repudiation or rescission of the Revolving Credit Facility financing documents (including the applicable security documents).

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Revolving Credit Facility Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer will, on or prior to the Issue Date, enter into an Intercreditor Agreement between, among others, the agent, arrangers and lenders under the Revolving Credit Facility Agreement, the Trustee and the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

"Senior Secured Group" shall mean the Issuer and any of its Restricted Subsidiaries.

References to the "Senior Secured Notes" shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by a member of the Senior Secured Group which are designated by the Issuer as Senior Secured Notes under the Intercreditor Agreement.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the "Debtors") (other than Centurion Newco S.p.A. ("Topco" for the purposes of the Intercreditor Agreement) and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement (a "Topco Borrower")) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any senior secured facilities agreements (a "Permitted Senior Secured Facilities Agreement") (the "Senior Lender Liabilities"), (ii) the lenders, issuing banks, and ancillary lenders in relation to the Revolving Credit Facility Agreement or any future super senior facilities agreement (a "Permitted Super Senior Secured

Facilities Agreement") and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior (together the "Super Senior Liabilities" and creditors thereof being the "Super Senior Creditors"), (iii) the Trustee and any trustee in relation to future senior secured notes (each a "Senior Secured Notes Trustee") (other than certain amounts paid to it in its capacity as trustee), the holders of the Notes or future senior secured notes (the "Senior Secured Notes") and the Security Agent in relation to the Senior Secured Notes (the "Senior Secured Notes Liabilities"), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for the avoidance of doubt, the Issuer) to a member of the Senior Secured Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (the "Senior Secured Notes Proceeds Loan Liabilities"), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a "Cash Management Facility" and the liabilities under a Cash Management Facility being the "Cash Management Facility Liabilities"), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (the "Pari Passu Hedging Liabilities") (together with the hedging designated by the Issuer as being Super Senior Liabilities, the "Hedging Liabilities"), (vii) the lenders in relation to any future second lien facility agreement (a "Second Lien Facility Agreement" and the liabilities to the lenders under a Second Lien Facility Agreement being the "Second Lien Lender Liabilities"), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and the Security Agent in relation to any second lien notes (such second lien notes being "Second Lien Notes" and the liabilities in respect of such Second Lien Notes being the "Second Lien Notes Liabilities" and together with the Second Lien Lender Liabilities, the "Second Lien Liabilities"), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the "Agent Liabilities"), (x) any arranger under any finance documents (the "Arranger Liabilities") relating to any of the aforementioned liabilities, and (xi) the Security Agent, *pari passu* and without any preference between them; and

(ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as Trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the "Topco Notes Liabilities"), (ii) under any future loan facility made available to any Topco Borrower (the "Topco Facility Liabilities" and together with the Topco Notes Liabilities, the "Topco Liabilities"), (iii) any Arranger Liabilities relating to any of the aforementioned liabilities, and (iv) the liabilities owed under any future loan (a "Topco Proceeds Loan") made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "Topco Proceeds Loan Liabilities"), *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank *pari passu* in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Second Lien Lender Liabilities, (vii) the Second Lien Notes Liabilities, (viii) the Topco Liabilities, (ix) the Topco Proceeds Loan Liabilities and (x) the Agent Liabilities and Arranger Liabilities in respect of any of the aforementioned liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Subordinated Liabilities (as defined below), Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "Intra-Group Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities, Second Lien Notes Liabilities, Topco Liabilities and Agent Liabilities and Arranger Liabilities relating to any of the aforementioned (such creditors, together with the Security Agent, any receiver or delegate, any creditor in respect of the Agent Liabilities or the Arranger Liabilities, the "Secured Parties").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group to any person who becomes a subordinated creditor (a "Subordinated Creditor") under the Intercreditor Agreement (other than any Topco Proceeds Loan Liabilities or any Topco Liabilities or any amounts owed to an affiliate of a Subordinated Creditor which is not itself a Subordinated Creditor or a member of the Topco Group (as defined below)) (the "Subordinated Liabilities") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement (the "Unsecured Creditors") and to the Intra-Group Liabilities.

Priority of Security

For the purposes of this description only:

"Debt Documents" means the Intercreditor Agreement and the documents evidencing the terms of the Senior Lender Liabilities, the Cash Management Facility Liabilities and the Pari Passu Hedging Liabilities (together, the "Senior Liabilities"), the Senior Secured Proceeds Loans Liabilities, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the Subordinated Liabilities, the Intra-Group Liabilities and any liabilities owed to the Unsecured Creditors and any other document designated as such by the Security Agent and the Issuer.

"Finance Documents" means the Revolving Credit Facility Agreement, any Permitted Super Senior Secured Facilities Agreement, any Permitted Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility agreement or other document or instrument documenting any Topco Facility Liabilities, the indenture in respect of any Topco Notes and any document designated by the Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

"Secured Creditors" means the Super Senior Creditors, the creditors in respect of the Senior Lender Liabilities, Cash Management Facility Liabilities and Pari Passu Hedging Liabilities (together the "Senior Creditors"), the Senior Secured Notes Creditors, the creditors in respect of the Second Lien Liabilities (the "Second Lien Creditors") and the creditors in respect of the Topco Liabilities (the "Topco Creditors").

"Secured Debt Documents" means the documents relating to the Super Senior Liabilities, the Senior Secured Liabilities, the Second Lien Liabilities, the Topco Liabilities and the Hedging Liabilities.

"Third Party Security Provider" means Topco and any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates (other than Topco Liabilities) and which is designated as such by the Issuer (in its discretion).

"Topco Group" means (x) the Group from time to time and (y) at any time after the incurrence of any Topco Liabilities by a Topco Borrower that is not a member of the Group, such Topco Borrower that is not a member of the Group and each of its subsidiaries other than any Unrestricted Subsidiaries (as defined below) from time to time.

"Topco Independent Transaction Security" means security (other than Transaction Security) which is created, or expressed to be created, by a Topco Borrower or any member of the Senior Secured Group that directly holds shares in a Topco Borrower or any person that is not a member of the Senior Secured Group who is designated as such by the Issuer (in its discretion) (together, the "Topco Independent Obligors") in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza*) for the other Topco Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Topco Secured Parties or in favor of the Security Agent under a parallel debt or similar structure) and which is designated as such by the Issuer (in its discretion). In the case of a Topco Independent Obligor which is a member of the Senior Secured Group that is a direct shareholder of a Topco Borrower, such security shall be limited to shares in such member of the Senior Secured Group and receivables owed to it by the relevant Topco Borrower which are not to be subject to the Transaction Security pursuant to the provisions of any Finance Documents and any recourse to such member of the Senior Secured Group shall be limited only to the assets the subject of the Topco Independent Transaction Security. Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

"Topco Shared Security" means security which is created, or expressed to be created, over any of (i) the shares in the Issuer held by any direct shareholder of the Issuer, (ii) all receivables owed by the Issuer to a Topco Investor (as defined below), Subordinated Creditor or other holding company or shareholder of the Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the

Senior Secured Group, any Topco Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi), any other assets not falling within (i), (ii), (iii), (iv) and (v) of a Topco Borrower and (to the extent that the Issuer has confirmed to the Security Agent that the granting of such Security in favor of the Topco Shared Security Secured Obligations (as defined below) is expressly permitted by any applicable prior ranking financing agreements) any other assets of any other member of the Senior Secured Group and in each case to the extent designated as Topco Shared Security by the Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure).

"Topco Shared Security Secured Obligations" means all Liabilities and all other present and future obligations at any time due, owing or incurred by any member of the Topco Group and by each Debtor and any Third Party Security Provider to any Secured Party under the Secured Debt Documents (including to the Security Agent under a parallel debt structure pursuant to the provisions of the Intercreditor Agreement) both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"Transaction Security" means any security from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (but excluding, for the avoidance of doubt, Topco Independent Transaction Security), which is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the "Topco Secured Parties")) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the "Topco Finance Documents")).

The Transaction Security shall rank and secure the following liabilities in the following order:

(i) first, the Super Senior Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Facility Liabilities and the Hedging Liabilities (together, the "Senior Secured Creditor Liabilities") and any Agent Liabilities and Arranger Liabilities in respect thereof *pari passu* and without any preference between them;

(ii) second, the Second Lien Liabilities *pari passu* and without any preference between them; and

(iii) third, (to the extent of the Topco Shared Security), the Topco Liabilities *pari passu* and without any preference between them.

The Topco Independent Transaction Security shall rank and secure the Topco Liabilities *pari passu* and without any preference between them (but only to the extent that such security is expressed to secure the relevant liabilities).

The Notes and the guarantee of the Notes to be issued by the Issuer will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, no Senior Lender Liabilities, no Second Lien Lender Liabilities, Second Lien Notes Liabilities or Topco Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under "*Description of the Notes—Certain Covenants*."

Guarantees and Security: Topco Creditors

The Topco Creditors have the right to take, accept or receive the benefit of:

(i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles set out in the Revolving Credit Facility Agreement or a Permitted Super Senior Secured Facility Agreement (the "Agreed Security Principles"), at the same time it is also offered either to the Security Agent as agent or trustee (or as *mandatario con rappresentanza*) for the other Secured Parties (or applicable class thereof) (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties (or applicable class thereof) or (other than for security governed by Italian law) in favor of the Security Agent under a parallel debt or similar structure) and ranks in the same order of priority as described under "*—Priority of Security*" above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are immediately paid to the Security Agent for application as set out under "*—Application of Proceeds*" below;

(ii) any guarantee, indemnity or other assurance from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to those in the original form of any facility agreement in respect of any Topco Facility Liabilities, in the indenture in respect of any Topco Notes, in the Intercreditor Agreement or which is given to all the Secured Parties as security for the liabilities owed by any member of the Topco Group and by each Debtor and any Third Party Security Provider to the Secured Parties under the Secured Debt Documents if, to the extent legally possible and subject to any Agreed Security Principles:

(A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the "Priority Secured Parties") already benefit from such a guarantee, indemnity or other assurance or at the same time it is also offered to the Priority Secured Parties and ranks in the same order of priority as described under "*—Priority of Debts"* above, as applicable; and

(B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are paid to the Security Agent for application as set out under "*—Application of Proceeds"* below; and

(iii) any security, guarantee indemnity or other assurance from (i) any person that is not a member of the Senior Secured Group, and (ii):

(A) any person that is not a member of the Senior Secured Group; and

(B) from any member of the Senior Secured Group (I) in connection with any escrow or similar arrangements relating to amounts held by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group; (II) in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or (III) as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the security documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities, Hedging Liabilities or Unsecured Liabilities (each a "New Debt Financing"). The conditions include certification by the Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental or new financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security Document) is authorized and instructed to enter promptly into any new security document, promptly amend or waive any term of an existing security document and/or promptly release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) and/or to effect the ranking, priority guarantees and security of the New Debt Financing subject to certain conditions, including as regards the terms of such new security (which shall be, unless otherwise required by the Issuer), substantially the same as the terms of the existing Transaction Security or Topco Independent Transaction Security). Any release and re-grant of Transaction Security or Topco Independent Transaction Security may only be undertaken if (i) (A) required under the New Debt Financing; (B) necessary under applicable law to give effect to the ranking as described under "*—Priority of Security*" above; or (C) the Issuer has determined in good faith that it is either not possible or not desirable to implement the New Debt Financing on terms satisfactory to the Issuer by instead granting additional Transaction Security or Topco Independent Transaction Security (as the case may be) and/or amending the terms of the existing Transaction Security or Topco Independent Transaction Security (as the case may be); and (ii) if any asset is to be released from Transaction Security or Topco Independent Transaction Security (as the case may be), promptly upon giving effect to that release, replacement Transaction Security or Topco Independent Transaction Security (as the case may be) is, subject to certain conditions, granted in favor of the Security Agent for and on behalf of the providers and/or agents and/or trustees of the New Debt Financing and (in relation to the Transaction Security or Topco Independent Transaction Security (as the case may be)) the existing Secured Parties (or relevant class thereof) or Topco Creditors (as the case may be) benefitting from the Security on substantially the same terms as the Transaction Security or Topco Independent Transaction Security (as the case may be) released (except that it shall also secure any New Debt Financing). Each Secured Party agrees (i) not to take any action to challenge the validity or enforceability of additional Transaction Security or Topco Independent Transaction Security (as the case may be) by reason of it being expressed to be second ranking; (ii) that additional Transaction Security may be granted by any Debtor to secure all or any part of any Hedging Liabilities and/or New Debt Financing and (iii) the Additional Topco Independent Transaction Security may be granted by any Topco Independent Obligor to secure all or any part of any New Debt Financing.

Any security, guarantee, indemnity or other assurance against loss in respect of a New Debt Financing or in respect of any indebtedness ("Permitted Acquired Indebtedness") which is not prohibited by the terms of the Finance Documents and which is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who becomes a Restricted Subsidiary after the Closing Date or (ii) a person that merges, consolidates or is otherwise combined with a Restricted Subsidiary after the Closing Date, or (iii) the assets of or shares in any person listed in paragraphs (i) or (ii) above or otherwise acquired after the Closing Date (together an "Acquired Person or Asset"), shall be permitted to subsist (or to be granted in accordance with the applicable terms) and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document.

No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles, (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation in relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including an obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the "Senior Secured Creditor Liabilities," the creditors in respect thereof being the "Senior Secured Creditors") at any time, provided that following certain acceleration events under the Revolving Credit Facility Agreement or any Permitted Senior Secured Facilities Agreement or Senior Secured Notes Indenture or Permitted Super Senior Secured Facilities Agreement or following certain insolvency events in relation to a member of the Senior Secured Group, payments may only be made by Debtors or Third Party Security Providers and received by creditors in accordance with the provisions described below under "*—Application of Proceeds"* provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under the applicable Senior Secured Finance Documents.

Permitted Payments in Respect of the Second Lien Debt

Prior to the first date on which all of the Senior Lender Liabilities, the Cash Management Facility Liabilities and the Pari Passu Hedging Liabilities (together, the "Senior Liabilities"), the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "Senior Secured Liabilities" and together with the Second Lien Liabilities and Topco Liabilities being the "Secured Liabilities") have been discharged (the "Senior Secured Discharge Date"), the Debtors may only make certain specified payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including the Revolving Credit Facility Agreement or any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) is continuing under the Revolving Credit Facility Agreement or any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes Document.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in paragraph (ii) of "*—Permitted Payments in respect of Topco Liabilities*" below.

Permitted Payments in Respect of Topco Liabilities

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the "Second Lien Discharge Date") on which all Second Lien Liabilities have been discharged (the "Priority Discharge Date"), the Issuer, Topco Borrowers, Third Party Security Providers and other members of the Senior Secured Group may only make payments (including any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities otherwise prohibited under the Intercreditor Agreement) under the Topco Liabilities or under any Topco Proceeds Loan (together the "Topco Group Liabilities") to the Topco Creditors or any holding company of the Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, "Permitted Topco Payments"):

(i) if:

(A) no Topco Payment Stop Notice (as defined below) is outstanding;

(B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "Senior Secured Payment Default"), or under the Second Lien Facilities or Second Lien Notes (a "Second Lien Payment Default"); and

(C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained, (2) any other amount including all scheduled interest payments (including, if applicable, special interest (or liquidated damages), cash interest accrued during a period when a Topco Payment Stop Notice (as defined below) is outstanding and default interest) accrued and payable in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), additional amounts payable as a result of the tax gross-up provisions relating to the Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document, (3) made in pursuance of a debt buy-back program in relation to Topco Liabilities approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;

(ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (N) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (L) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees, costs and expenses for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) fees, costs and expenses of a Topco Agent (as defined below) not included in (A) above not exceeding €1,500,000 in aggregate, but excluding any fees, costs or expenses incurred in connection with any current, threatened or pending litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €5,000,000 (or its equivalent in other currencies) in aggregate in any financial year of the Issuer provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year, (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred in relation to the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default in relation to the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issue of shares in any holding company of the Issuer (a "Debt for Equity Swap") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non-cash-pay instrument which is subordinated to the Senior Secured Liabilities and the Second Lien Liabilities (together the "Priority Secured Liabilities") (as defined below) on the same terms as the Topco Liabilities, (J) of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and ordinary course administrative and maintenance costs and expenses of a Topco Borrower or its affiliates, (K) funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (L) made by the Topco Borrower in respect of its obligations under the Topco Finance Documents, and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents, (M) of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or in relation to any other provisions that permits the prepayment of a single lender without a related requirement to repay all other Topco Creditors, and (N) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing and the payment is of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

(iii) if the Majority Senior Secured Creditors, the Majority Super Senior Creditors and the Majority Second Lien Creditors (each as defined below) give prior consent to that payment being made.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

Topco Liabilities Payment Block Provisions

A Topco Payment Stop Notice (as defined below) is outstanding from the date falling one Business Day after the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a "Senior Secured Event of Default") or an event of default under the Second Lien Liabilities (a "Second Lien Event of Default"), the Security Agent (acting on the instructions of the Majority Super Senior Creditors, the Majority Senior Secured Creditors or the Majority Second Lien Creditors (each as defined below)) issues a notice (a "Topco Payment Stop Notice") to the agent under any debt facilities advanced to Topco (each a "Topco Facility") (the "Topco Agent") and the trustee under any Topco Notes (the "Topco Notes Trustee") advising that the Senior Secured Event of Default or Second Lien Event of Default has occurred and is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

(i) the date falling 179 days after delivery of that Topco Payment Stop Notice;

(ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;

(iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;

(iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;

(v) the date on which the Security Agent (acting on the instructions of whichever of the Majority Super Senior Creditors, Majority Senior Secured Creditors or Majority Second Lien Creditors (each as defined below) gave the instructions to deliver the relevant stop notice) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the payment stop notice;

(vi) the Priority Discharge Date; and

(vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see "—*Permitted Topco Enforcement*" below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a particular Senior Secured Event of Default or a Second Lien Event of Default more than 45 days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a "Topco Enforcement Notice") on behalf of the Topco Creditors.

Payment Obligations and Capitalization of Interest Continue

Nothing in the second lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or (in respect of the Topco Proceeds Loan Liabilities only) to Topco or any party that has acceded to the Intercreditor Agreement as a Topco Investor (as defined in the Intercreditor Agreement, the "Topco Investors") an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be),

then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be waived without any further action being required.

Turnover

Subject to certain exceptions, the Intercreditor Agreement will provide that if, at any time prior to the latest to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date (the "Topco Discharge Date") on which all of the Topco Liabilities have been fully discharged (the "Final Discharge Date") any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "—*Application of Proceeds*";

(ii) other than where the set-off provisions in the Intercreditor Agreement apply, any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above and other than where the set-off provisions in the Intercreditor Agreement apply, any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event (as defined below)); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below under "—*Application of Proceeds*"; and in the case of Intra-Group Liabilities, any amount received or recovered in accordance with the relevant provisions in the Intercreditor Agreement (to the extent permitted to be received or recovered notwithstanding that an acceleration event is continuing);

(iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "—*Application of Proceeds*"; or

(v) (other than in respect of the provisions set out under "*New Debt Financing*" above or where the set-off provisions in the Intercreditor Agreement apply) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event (as defined below) in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

that creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Obligor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent for application in accordance with the provisions set out below under "—*Application of Proceeds*" except in accordance with such provisions.

The relationship of the Security Agent to the Creditors is construed to be as one of principal and agent in relation to any jurisdiction the courts of which would not recognize or give effect to the trust expressed to be created by this turnover mechanism.

Effect of Insolvency Event

"Insolvency Event" is defined as, in relation to any Obligor, Material Subsidiary (each as defined in the Revolving Credit Facility Agreement) or Third Party Security Provider, (a) the passing of any resolution or making of an order for its insolvency, bankruptcy, winding up, dissolution, administration or reorganization (excluding solvent reorganizations), (b) a moratorium is declared in relation to any of its indebtedness, (c) the appointment of any liquidator, receiver, examiner, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (d) any analogous procedure or step is taken in any jurisdiction, other than (in each case), frivolous or vexatious proceedings (which, if capable of remedy, are discharged, stayed or dismissed within 20 Business Days of commencement or, if earlier, the date on which it is advertised), any proceedings or appointments which the Security Agent is satisfied will be withdrawn or will be unsuccessful or as permitted under any Revolving Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary (each as defined in the Revolving Credit Facility Agreement) or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "—*Application of Proceeds*" below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "—*Application of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to an Obligor (as defined in the Revolving Credit Facility Agreement), member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Enforcement of Security

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of an Instructing Group or otherwise as specified in the provisions described below.

An "Instructing Group" means:

(i) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "Super Senior Discharge Date"), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50% of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "Majority Senior Secured Creditors"), and Super Senior Creditors representing more than 50% of the Super Senior Liabilities (the "Majority Super Senior Creditors") save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "*—Enforcement of Transaction Security*" below;

(ii) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50% of the Second Lien Liabilities (the "Majority Second Lien Creditors"); and

(iii) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50% of the Topco Liabilities (the "Majority Topco Creditors").

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions they shall deliver a copy of those instructions (an "Initial Enforcement Notice") to the Security Agent and to the other agents, trustees and hedge counterparties.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or if the Super Senior Discharge Date has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or on the expected realization of proceeds and the Majority Super Senior Creditors deliver instructions before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they (A) have instructed the Security Agent not to enforce (or to cease enforcing) the Transaction Security, or (B) have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Second Lien Creditors (where the rights of the Majority Second Lien Creditors to enforce have arisen under the Intercreditor Agreement), or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they (A) have instructed the Security Agent not to enforce (or to cease enforcing) the Transaction Security, or (B) have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Topco Creditors (where the rights of the Majority Topco Creditors to enforce have arisen under the Intercreditor Agreement).

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions do not give such instructions and do not indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority

Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

"Enforcement Principles" means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash and (iii) enforcement in relation to assets over €5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is request to do so by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from an investment bank, firm of accountants or third party financial adviser.

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Topco Independent Transaction Security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for their relative position in the capital structure.

Restrictions on Enforcement by Topco Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, no Topco Creditor or other finance party (under and as defined in any Topco Finance Document) or Topco Investor (and in the case of (iii) below, no Topco Borrower) shall (i) direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security), (ii) take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities, or (iii) take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except as set out under "—*Permitted Topco Enforcement*" below.

Other than as restricted pursuant to the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any person which is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

"Enforcement Action" is defined as:

(i) in relation to any liabilities (other than unsecured liabilities) the acceleration, putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or suing or commencing proceedings against any member of the Topco Group or a Third Party Security Provider to recover such liabilities;

(ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;

(iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

(v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action, (A) suing, commencing proceedings or taking any action referred to in paragraph (v) above to the extent necessary to preserve a claim, (B) discussions between or proposals made by the Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors (as defined in the Intercreditor Agreement) or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "Cash Management Facility Lender"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud; and (G) the taking of any action by a member of the Topco Group not prohibited by the Finance Documents.

Permitted Topco Enforcement

The restrictions set out above under "—*Restrictions on Enforcement by Topco Creditors*" will not apply in respect of the Topco Group Liabilities or any Transaction Security securing the Topco Group Liabilities, if:

(i) an event of default under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "Relevant Topco Default") is continuing;

(ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities;

(iii) a Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period.

Promptly upon becoming aware of an event of default under a Topco Finance Document, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "Senior Agent"), senior secured notes trustee and any agent or trustee in respect of any Second Lien Liabilities of the existence of such event of default.

"Topco Standstill Period" means the period beginning on the date (the "Topco Standstill Start Date") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Topco Standstill Start Date (the "Topco Standstill Period");

(ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, provided that:

   (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor (as defined below) as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

   (B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(v) the first date on which each of the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Second Lien Creditors have given their consent.

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (*Permitted Topco Enforcement*) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

"Topco Guarantor" means a guarantor in relation to a Topco Facility or a guarantor in relation to any debt financing which is designated at a "Topco Notes" financing by the Issuer (in its discretion by written notice to the Agent (each such financing constituting "Topco Notes").

Option to Purchase: Topco Creditors

Following acceleration, or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect to purchase the Senior Lender Liabilities, Super Senior Lender Liabilities (as defined in the Intercreditor Agreement), Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to any document creating Transaction Security or Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Issuer:

(i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents:

   (A) any security (and/or other claim relating to a Debt Document) over any asset which the Issuer has confirmed is the subject of (1) a disposal not prohibited under any Finance Document (or where any applicable release and/ or consent has been obtained) including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security, and (2) any other transaction not prohibited by any Finance Document (or where any applicable release and/ or consent has been obtained) pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group and, in each case, where such disposal is not a Distressed Disposal (as defined below) (in each case, a "Non-Distressed Disposal");

(B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement, in each case to the extent the Issuer has confirmed that such action is not prohibited by any Finance Document;

(C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Issuer has confirmed that such cessation is otherwise in accordance with the terms of each Finance Document or the Agreed Security Principles; and

(D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Issuer has confirmed that such security is not required to be given or such release is otherwise in accordance with the terms of any Finance Document or the Agreed Security Principles;

(ii) in the case of a disposal of shares or ownership interests in a Debtor or other member of the Senior Secured Group (or a holding company of any Debtor) or any other transaction pursuant to which a Debtor or other member of the Senior Secured Group (or a holding company of any Debtor) will cease to be a member of the Topco Group or a Debtor (including by way of resignation or being designated an Unrestricted Subsidiary (as defined in the Indenture)), release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document); and

(iii) effect a Debt Transfer (as defined below).

When making any request for a release pursuant to paragraphs (i)(A), (i)(B) or (ii) above, the Issuer must confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited by the terms of any Finance Document, in each case, as the case may be, as at the date of completion of such release or, at the option of the Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Issuer must confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles.

In the case of a disposal of shares or other ownership interests in a Debtor or member of the Senior Secured Group (or a holding company of any Debtor) or any other transaction pursuant to which a Debtor or member of the Senior Secured Group (or a holding company of any Debtor) will cease to be a member of Topco Group or a Debtor (including by way of resignation or being designated an Unrestricted Subsidiary), to the extent the Issuer has confirmed to the Security Agent that such disposal, transaction or designation is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all liabilities outstanding under any Debt Document and any right to decline, delay or prevent any such prepayment in any Debt Document shall be disapplied (but without prejudice to any prepayment fees, make-whole payment, break costs or other payment required by the relevant Finance Documents).

In the case of a Debt Transfer (defined below), the Issuer may at any time require that all of the rights and obligations of any Super Senior Borrower, Senior Borrower or Second Lien Borrower (each as defined in the Intercreditor Agreement) (a "Borrower") in respect of its liabilities (including borrowing liabilities) under the applicable Secured Debt Documents be novated or otherwise transferred by that Borrower (a "Debt Transfer") provided that (i) either: (A) such Debt Transfer is to another member of the Senior Secured Group; (B) such Debt

Transfer is by a Borrower where (I) that Borrower or any holding company of that Borrower is being disposed of in accordance with the Finance Documents, and (II) the proceeds of such disposal are not otherwise required to be applied unconditionally in prepayment of that Borrower's borrowing liabilities under the applicable Finance Documents; or (C) such Debt Transfer is undertaken in connection with an initial public offering of a member of the Senior Secured Group (or a holding company thereof); and (ii) the transferee in respect of such Debt Transfer is (in the case of a Super Senior Borrower) another Super Senior Borrower, or (in the case of a Senior Borrower or Second Lien Borrower) another Senior Borrower or (in the case of a Second Lien Borrower) another Second Lien Borrower. Any Debt Transfer may (and shall upon the request of the Company) be effected on a cashless basis, by way of book entries and not as physical cash movement to repay and reborrow any applicable liabilities.

Distressed Disposals

"Distressed Disposal" means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Senior Secured Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (subject to acting in accordance with certain conditions set out below and at the cost of the relevant Debtor, Third Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor):

(i) to release the Transaction Security or any other claim over that asset, enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities, (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities, (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors under the Debt Documents or to any Debtors:

    (A) if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "Transferee") will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

    (B) if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,

    on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

(A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described in paragraph (iv) above) shall be paid to the Security Agent for application in accordance with the provisions set out under "—*Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities as described in paragraph (iv) above has occurred, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities as described in paragraphs (iv) and (v) above) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price) and shall in all cases comply with the provisions set out below.

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor) following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities or guarantee liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor) following that release.

Where borrowing. guarantee or other liabilities in respect of any Senior Secured Liabilities, Second Lien Liabilities, Senior Secured Notes Proceeds Loan Liabilities, Topco Liabilities or unsecured liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing, guarantee or other liabilities transferred to a holding company of the Issuer, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing, guarantee or other liabilities.

Subject to the provisions described below, if a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected by or at the request of the Security Agent, unless the consent of each Senior Agent and each Senior Secured Notes Trustee (as applicable) has been obtained, it is a further condition to any release, transfer or disposal that:

(i) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(ii) such sale or disposal is made (A) pursuant to a public auction or other competitive sale process conducted with the advice of a reputable, independent or financially recognized investment bank or firm of accountants (or (if all such banks or firms are conflicted), a reputable, independent and internationally recognized third party professional firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those subject to the relevant Transaction Security) and, in each, case not being an auditor or administrator of the applicable company (a "Financial Adviser") as selected by the Security Agent, in respect of which the Secured Creditors are entitled to participate (a "Competitive Sales Process"); or (B) where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Second Lien Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Second Lien Liabilities or Transaction Security securing Second Lien Liabilities will be released, transferred or disposed of pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal that either:

(i) each agent and trustee in respect of any Second Lien Liabilities has approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(B) at completion of the sale or disposal the borrowing, guarantee and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors and Unsecured Creditors by the Debtors and their subsidiaries being sold and disposed of (together, the "Relevant Claim") are (to the same extent) unconditionally released and discharged or sold or disposed of (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the secured obligations in respect of the assets of such members of the Senior Secured Group is unconditionally released and discharged, provided that, if each Senior Agent and Senior Secured Notes Trustee (1) (acting reasonably and in good faith) determines that the Senior Secured Creditors will recover a greater cash amount if the Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and provided such amount is nevertheless less than the aggregate amount of outstanding Senior Secured Liabilities (which shall be deemed to be the case if there are no bidders or if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of Senior Secured Liabilities) and (2) serves written notice on the Security Agent confirming the same, then the Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and

(C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process or where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Senior Secured Group) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Topco Discharge Date, a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Topco Liabilities or Transaction Security securing Topco Liabilities will be released, transferred or disposed of pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal that either:

(i) each agent and trustee in respect of any Topco Liabilities has approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Topco Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(B) at completion of the sale or disposal the borrowing, guarantee and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors and Unsecured

Creditors by the Debtors and their subsidiaries being sold and disposed of (a "Relevant Claim") are (to the same extent) unconditionally released and discharged or sold or disposed of (and not assumed by the purchaser or its affiliates), and all security under documents creating security in respect of the secured obligations in respect of the assets of such members of the Senior Secured Group is unconditionally released and discharged, provided that, if each Senior Agent and Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that the Priority Secured Parties will recover a greater amount if the Relevant Claim is sold or otherwise transferred to the purchaser or its affiliates and provided such amount is nevertheless less than the aggregate amount of outstanding Priority Secured Liabilities (which shall be deemed to be the case if there are no bidders or if each Senior Agent, Senior Secured Notes Trustee and each agent and trustee in respect of any Second Lien Liabilities (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the Priority Secured Liabilities), then the Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to the purchaser or its affiliate; and

(C) such sale or disposal (including any sale or disposal of any claim) is made pursuant to a Competitive Sales Process or where a Financial Adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent has no obligation to select or engage any Financial Adviser unless it has been indemnified and/or secured and/or prefunded to its satisfaction).

When acting for the purposes of the above paragraphs, the Security Agent shall always act (i) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security in accordance with the provisions set out under "*—Manner of Enforcement*" above, and (ii) in any other case on the instructions of the Instructing Group or, in the absence of such instructions, as the Security Agent sees fit (which may include taking no action).

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of Topco or any subsidiary of any holding company of the Issuer (other than a member of the Senior Secured Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) if the Super Senior Discharge Date has not occurred, for application towards the discharge of:

(A) the Super Senior Lender Liabilities and any Arranger Liabilities in connection therewith; and

(B) Hedging Liabilities that have been designated by the Issuer as ranking alongside the Super Senior Lender Liabilities (the "Super Senior Hedging Liabilities") (on a *pro rata* basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above, or, if the Super Senior Discharge Date has occurred, for application towards the discharge of:

(A) the Senior Lender Liabilities and any Arranger Liabilities in connection therewith;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Pari Passu Hedging Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;

(iv) for application towards the discharge of (x) the Second Lien Lender Liabilities and any Arranger Liabilities in connection therewith, and (y) the Second Lien Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(v) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and any Arranger Liabilities in connection therewith, and (B) the Topco Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(vi) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(vii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

(A) in accordance with paragraph (i) above;

(B) in accordance with paragraph (ii) above;

(C) in accordance with paragraphs (iii) or (as the case may be) (iv) and (v) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors) provided that payments will be made on a *pro rata* and *pari passu* basis across all liabilities subject to such paragraphs;

(D) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(E) the balance, if any, in payment to the relevant Debtor.

Order of Application—Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the "Topco Recoveries") shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) solely to the extent such proceeds are from the realization or enforcement of the Topco Independent Transaction Security and any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) in respect of the Topco Liabilities, for application towards the discharge of: (A) the Topco Facility Liabilities; and (B) the Topco Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "Enforcement Date") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only the written agreement from the relevant agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "*—Application of Proceeds*" above, the order of priority or subordination under the Intercreditor Agreement or the provisions set out under "*—Turnover*" above (other than an amendment or waiver which is consequential to or required to implement a Permitted Structural Adjustment (as defined in the Revolving Credit Facility Agreement)) shall not be made without the consent of (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (as defined in the Intercreditor Agreement) (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (as described below), (A) the Security Agent may, if the Issuer consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party; and (B) the Security Agent may, if the Issuer consents, and shall promptly upon the request of the Issuer, amend, release and/or retake any Transaction Security Document where such amendment, release and/or retake is required in order to ensure the validity, perfection or priority of the Transaction Security purported to be created under such Transaction Security Document, together with any related or consequential waiver (including by reason of a failure to register such Transaction Security Document with Companies House within the prescribed time limit set out in section 859 of the Companies Act 2006, in which case the Security Agent shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each Party. Where any such amendment, release or waiver of, or consent under any document creating Transaction Security or Topco Independent Transaction Security would adversely affect the nature or scope of the assets subject to

Transaction Security or Topco Independent Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed, the prior consent of (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (as defined in the Intercreditor Agreement) (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer, will be required.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the paragraphs above under "—*Required Consents*" and under "—*Amendments and Waivers: Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security or Topco Independent Transaction Security claims or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "—*New Debt Financings,*" "—*Non-Distressed Disposals*" and "—*Distressed Disposals*" above or as contemplated by the terms of any Debt Document or is consequential to or required to implement a Permitted Structural Adjustment. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Snooze/Lose

If in relation to a request for a consent in relation to any of the terms of an applicable document, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement or any other Debt Document (other than a Notes Indenture) which does not contain a snooze/lose provision substantially equivalent to that described in this paragraph or which contains a longer period, any creditor fails to respond to the request within ten Business Days (or any other period of time notified by the Issuer, with the agreement of each of the agents or trustee in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable. However, this provision shall not apply to any noteholder in respect of a request where such noteholder is not given the option to respond to such request in the negative but shall otherwise apply to all noteholders.

Provisions Following an IPO

Following an initial public offering of a member of the Senior Secured Group (or a holding company thereof) (an "IPO") but not earlier than the Merger Date (as defined in the Revolving Credit Facility Agreement), the Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the "IPO Pushdown Entity," and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be any holding company of the Issuer which is the issuer or borrower of any Topco Liabilities) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security or Topco Independent Transaction Security) and each

Subordinated Creditor, Third Party Security Provider, Investor (as defined in the Revolving Credit Facility Agreement) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50% of any Topco Notes Liabilities (in each case following the relevant IPO), the Issuer and each subsidiary of the Issuer shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities).

Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate the matters described in each of the above paragraphs under the heading "*—Provisions following an IPO*" provided that such amendment, replacement or other document or instrument does not impose personal obligations on the Security Agent or affect the rights, duties, liabilities, indemnification or immunity of the Security Agent under such amendment, release, replacement or other document or instrument.

Agreement to Override

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Documents to the contrary.

Rolled Target Indebtedness

BPM Facility

On or after the Acquisition Closing Date, the Target is expected to enter into a facilities agreement with Banco BPM S.p.A. (the "BPM Facility"). The BPM Facility will provide for term loans in an aggregate principal amount of €30.0 million. The term loans under the BPM Facility may be applied in or towards financing the general corporate purposes and working capital requirements of the Target and its subsidiaries. The BPM Facility is expected to be unsecured and unguaranteed. The BPM Facility may be utilised from the Acquisition Closing Date and the term loans drawn thereunder will amortize in equal semi-annual instalments until June 30, 2024 (being the final repayment date). The term loans will bear interest at rates per annum equal to EURIBOR plus an applicable margin, which will be subject to a decreasing margin ratchet based on the senior secured net leverage ratio. If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of the term loans under the BPM Facility. A commitment fee will be payable on the aggregate undrawn and un-cancelled amount of the BPM Facility during its availability period. The term loans may be voluntarily prepaid and/or cancelled in part or in full at any time without premium or penalty (save for customary break costs). The BPM Facility will include representations and warranties, information covenants, undertakings, events of default and similar provisions, similar to those under the Revolving Credit Facility Agreement.

Working capital facilities

We are a party to certain uncommitted bilateral and guarantee facilities agreements with Italian banks, providing the Target Group with certain overdraft arrangements, receivables discounting, short-term and working capital facilities. The purpose of these uncommitted bilateral facilities is to finance our ordinary course of business activities as well as our liquidity and working capital needs. As a result, we generally draw and repay these lines in the ordinary course of business as part of our cash management and to meet our working capital requirements. These facilities are unsecured and unguaranteed. The lenders under these agreements can withdraw these facilities at any time. As of March 31, 2020, after giving effect to the Transaction, €10.6 million was outstanding under these working capital facilities.

In addition, in connection with the Transactions, the Target is expected to enter into an uncommitted working capital facility (*linea di denaro caldo*) with Intesa Sanpaolo S.p.A. for an aggregate available amount up to €20.0 million, which will be available to fund the Target's liquidity needs (the "Intesa Facility"). The interest rate of the Intesa Facility will be agreed between the parties upon utilization on a case by case basis. The Intesa Facility can be withdrawn by the lender at any time. The Intesa Facility will be unsecured and unguaranteed.

Guarantee facilities

Some entities of the Target Group are parties to certain guarantee facilities with certain Italian banks and credit institutions. We generally utilize these guarantee facilities in order to guarantee the performance of our obligations under certain commercial agreements to which we are a party *vis-à-vis* clients in our Public Administration industry vertical. Outstanding letters of guarantee under these facilities are not treated as financial debt in our consolidation statement of financial position.

Factoring

We are party to certain framework factoring agreements, pursuant to which we assign from time to time a part of our trade receivables on an uncommitted, non-recourse basis (*pro soluto*). Such transactions are governed by certain framework agreements with primary credit institutions, in accordance to which we assign our receivables to the relevant factor in order to ensure prompt payment and, more generally, to manage our working capital requirements. The terms and conditions of our factoring agreements are market standard for these transactions and typically include, *inter alia*, the obligations to administer the collections on the trade receivables and to provide any information regarding the creditworthiness of the assigned debtor. In return, at the time of sale of the trade receivables, we receive from our factoring counterparties an amount representing the nominal amount of the total assigned trade receivables. We are also party to certain reverse factoring agreements pursuant to which our suppliers regularly assign to the relevant factoring counterparties a part of the trade receivables owed by us to them. Amounts outstanding under both non-recourse (*pro soluto*) and reverse factoring agreements are not treated as financial debt in our consolidated statement of financial position.

Lease agreements

A number of entities in the Target Group are parties to certain financial lease agreements in respect of several assets, including buildings, cars and IT equipment. The average useful life of the relevant right-of-use asset is 6, 2 and 3 years, respectively. None of these financial lease agreements includes significant renewal clauses and/or extension options, provides for variable lease payments nor involves sale and lease back options. As of March 31, 2020, the overall amount outstanding in connection with financial lease agreements was €171.2 million. We expect these financial leases to remain outstanding also after the Acquisition Closing Date.

Grants and subsidized financings

Certain entities of the Target Group have been awarded with certain grants and subsidized financing by public entities, including European and local authorities, in order to finance the realization of certain projects. In general terms, public grants are not regarded as debt as they do not provide for the repayment of the amounts made available thereunder. However, subsidized financing include amortization plans in accordance to which the relevant amounts are to be repaid to the relevant provider. See "*Risk Factors—Risks Related to the Transactions—The Acquisition will entitle certain customers and certain other business partners of the Target to terminate their agreements as a result of change of control provisions.*"

Funding Loan

On or about the Acquisition Closing Date, the Issuer will make available to the Target the Funding Loan, using a portion of the net proceeds from the Offering of the Notes, in an estimated amount of approximately €128.4 million.

The amounts borrowed by the Target under the Funding Loan will be used in order to repay of the Target Refinanced Indebtedness, as described under "*Summary—The Transactions*" and "*Use of Proceeds*". Interest on the Funding Loan will accrue at a rate that we anticipate will not be lower than the rate applicable to the Notes. The maturity date of the Funding Loan will be on or about the maturity date of the Notes, provided that the agreement governing the Funding Loan will provide a condition subsequent in the case the Post-Completion Merger is not completed and the Target does not grant its guarantee within the date falling eighteen months following the Acquisition Closing Date.

The agreement governing the Funding Loan will not provide for any undertakings or representations by the parties. The Issuer's interest in the receivable under the Funding Loan will be pledged on a first-ranking basis as part of the Collateral securing the Notes and the Revolving Credit Facility.

The agreement governing the Funding Loan will be governed by Italian law.

As a consequence of the Post-Completion Merger, the Funding Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the Funding Loan will be extinguished by operation of law.

Subject to certain significant exceptions, the Funding Loan documentation will prohibit the repayment, reduction, extinction or equitization of the Funding Loan. Such exceptions include, but are not limited to, the refund of the cash overfunding of the Target's balance sheet in connection with the Transactions. The Indenture will not include any restrictions on the Issuer or the Target to amend the Funding Loan documentation.

See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—The principal amount of the Funding Loan may be less than anticipated as a result of prepayments of certain indebtedness of the Target Group prior to the Acquisition Closing Date*" and *"Risk factors—Risks Related to the Notes, the Guarantees and the Collateral—The Issuer's right to receive payments under the Funding Loan prior to the Post-Completion Merger (if it occurs) may be subordinated by law to the obligations of other creditors"*.

PIK Notes

In connection with the Transactions, on or prior to the Acquisition Closing Date, the TopCo will issue up to €216.5 million of senior secured PIK pay-if-you-want notes due 2028 in a private placement. The PIK Notes will mature eighteen months following the maturity date of the Notes, unless earlier redeemed or repurchased and cancelled in accordance with the indenture governing the PIK Notes.

Interest on the PIK Notes will be payable semi-annually in arrears in cash or in kind at the sole option of TopCo, provided that the last interest payment will be made entirely in cash.

The PIK Notes will not be guaranteed and will be secured by first-ranking security interests over the shares of TopCo and TopCo's material bank accounts in Italy (without control over use) as well as a pledge of loan receivables owed by TopCo to its direct parent company. The PIK Notes will be senior obligations of TopCo and will be structurally subordinated to all existing and future obligations of the subsidiaries of TopCo, including the Notes offered hereby, borrowings outstanding under the Revolving Credit Facility, and trade payables and lease obligations of the Group.

The indenture governing the PIK Notes will contain certain restrictive covenants, which, subject to certain exceptions, will be substantially similar to the covenants governing the Notes, which are set forth under "*Description of the Notes—Certain Covenants*." In connection with the issuance of the PIK Notes, TopCo will enter into a subordination agreement to govern, *inter alia*, the relationships and relative priorities among the holders of the PIK Notes and TopCo's shareholders.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions.*" For purposes of this "*Description of the Notes,*" the terms the "*Issuer,*" "we," "our" and "us" refers only to Centurion Bidco S.p.A. and its successors prior to the Post-Completion Merger and MergerCo (as defined below) subsequent thereto. The term "*Third Party Security Provider*" refers to Centurion Newco S.p.A., the direct parent company of the Issuer, and its successors.

The Issuer will issue €640.0 million in aggregate principal amount of its senior secured notes due 2026, comprising: (i) € million in aggregate principal amount of its % Senior Secured Notes due 2026 (the "*Fixed Rate Notes*") and (ii) € million in aggregate principal amount of its Senior Secured Floating Rate Notes due 2026 (the "*Floating Rate Notes*" and, together with the Fixed Rate Notes, the "*Notes*") under an indenture to be dated as of the Issue Date (the "*Indenture*"), between, *inter alios*, the Issuer, the Third Party Security Provider, U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), U.S. Bank Trustees Limited, as security agent and in its role as legal representative (*mandatario con rappresentanza*) under the Indenture and representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "*Security Agent*"), and Elavon Financial Services DAC, as paying agent, transfer agent and calculation agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under, incorporate by reference or include terms of, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Pending consummation of the Acquisition, the initial purchasers of the Notes will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Notes into segregated bank accounts (the "*Escrow Accounts*") in the name of the Issuer but controlled by JPMorgan Chase Bank, N.A., as escrow agent (the "*Escrow Agent*"), pursuant to the terms of an escrow deed (the "*Escrow Agreement*") dated as of the Issue Date, among the Issuer, the Trustee and the Escrow Agent. The Escrow Accounts will be pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the Escrowed Property from the Escrow Accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the release of the funds from the Escrow Accounts. If the conditions to the release of the Escrowed Property (as defined herein) have not been satisfied on or prior to October 31, 2020 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption (as defined herein). The Special Mandatory Redemption price of each series of Notes will be equal to 100% of the initial issue price of such series of Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined herein). See "*Escrow of Proceeds; Special Mandatory Redemption.*"

Upon release from escrow as described below, the proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Shareholder Funding, to finance the purchase price for the Acquisition, to finance the Refinancing via the Funding Loan (as described herein), to make funds available to the Issuer and/or Target for general corporate purposes and to pay fees and expenses in connection with the Transactions. See "*Use of Proceeds*" and "*Summary—The Transactions.*"

Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any member of the Target Group. Following the Acquisition Closing Date, we intend to use commercially reasonable efforts to merge the Issuer with the Target in accordance with Articles 2501-*bis* of the Italian Civil Code and other applicable provisions of Italian law as soon as reasonably practicable during the twelve months after the Acquisition Closing Date, with MergerCo being the surviving entity. The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.*"

Subject to the Agreed Security Principals and to certain material limitations pursuant to applicable law, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior secured basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months after the Acquisition Closing Date; provided that this undertaking will no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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*."

Prior to the Merger Date or the granting of the Notes Guarantee of the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including, prior to the Merger Date or the granting of the Notes Guarantee of the Target, the Target), and after the Merger Date or the granting of the Notes Guarantee of the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any indebtedness or obligations of the subsidiaries of the Issuer (or MergerCo, as the case may be) that are not Guarantors. None of the subsidiaries of the Target is expected to guarantee the Notes.

On the Issue Date, subject to certain perfection requirements, the Notes will only be secured by the Escrowed Property. On or about the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Completion Collateral (as defined herein). Within ten Business Days from (and excluding) the Acquisition Closing Date, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Completion Collateral (as defined herein). Within ten Business Days from (and excluding) the Merger Date (to the extent that it occurs), the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the Post-Merger Collateral (as defined herein). In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within 20 Business Days following the issuance by the Target of its Notes Guarantee, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements and certain material limitations pursuant to applicable laws, by the Target Collateral (as defined herein). Each of the Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral and the Target Collateral is further described under "*Security.*" The Collateral will also secure the Revolving Credit Facility and certain hedging obligations (if any) on a *pari passu* basis. In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Revolving Credit Facility is expected to be secured by the Target Collateral within 30 Business Days from the date falling twelve months after the Acquisition Closing Date, whereas the Target Collateral will only be required to be granted in relation to the Notes within twenty Business Days following the issuance by the Target of its Notes Guarantee.

Under the terms of the Intercreditor Agreement (as defined herein), and subject to applicable laws, in the event of an enforcement of the Collateral, the holders of the Notes will be treated as *pari passu* among each other, although they will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) have been repaid in full. In addition, subject to applicable laws, the Guarantees and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture (as defined herein), the Intercreditor Agreement, and to applicable laws, the Collateral may be pledged to secure future indebtedness. The Guarantees and the Collateral will be subject to certain material limitations pursuant to applicable laws as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." See also "*Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the 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*," "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*" and *"Security*."

The Indenture 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.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, any Notes Guarantee, 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, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and the Issuer and your rights.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

Brief Description of the Notes and the Notes Guarantee

The Notes

The Notes will:

- be general, senior obligations of the Issuer and, subsequent to the Post-Completion Merger, MergerCo;
- be secured as set forth under "*Security*";
- rank *pari passu* in right of payment to any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under 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;
- rank effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Collateral or the Escrowed Property to the extent of the value of the Collateral or the Escrowed Property;
- be effectively subordinated to any existing and future Indebtedness or obligation of the Issuer or of subsidiaries of the Issuer that are secured by property or assets that do not secure the Notes, or that secures such other indebtedness on a super senior basis (including obligations under the Revolving Credit Facility Agreement and certain hedging obligations (if any)), to the extent of the value of the property and assets securing such other indebtedness or obligation;
- be structurally subordinated to any existing or future indebtedness or obligations of subsidiaries of the Issuer (or MergerCo, as applicable), that are not Guarantors, including obligations owed to trade creditors;
- be, subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, and only to the extent the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, guaranteed by the Target as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months following the Acquisition Closing Date; *provided* that this undertaking shall no longer apply following the consummation of the Post-Completion Merger; and
- be represented by one or more registered Notes in global form but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry; Delivery and Form*" in this Offering Memorandum).

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 obligations under the Revolving Credit Facility and certain Hedging Obligations.

The Notes Guarantee

On the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any of its subsidiaries. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable law, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior secured basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months after the Acquisition Closing Date; *provided* that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed.

A Notes Guarantee (if any) will, upon its issuance:

- be a senior obligation of the Guarantor;

- rank *pari passu* in right of payment with any existing and future indebtedness of the Guarantor that is not expressly subordinated in right of payment to such Notes Guarantee, including the Guarantor's guarantee of 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 Guarantor that is expressly subordinated to its Notes Guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of the Guarantor that is secured by property and assets that do not secure its Notes Guarantee, or which secures such other indebtedness on a super senior basis (including obligations under the Revolving Credit Facility Agreement and certain hedging obligations (if any)), to the extent of the value of the property and assets securing such other indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness or obligations of subsidiaries of the Guarantor that are not Guarantors, including obligations owed to trade creditors and settlement obligations.

A Notes Guarantee (if any) will be subject to certain contractual and legal limitations, as described under "*—Notes Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." By virtue of these limitations, the Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or the Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—*"*Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral and/or Escrowed Property may adversely affect the validity and enforceability of the Guarantee and the Collateral and/or Escrowed Property*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*" In addition, the Notes Guarantee may be released under certain circumstances. See "*—The Notes Guarantees—Notes Guarantees Release.*"

The Target will guarantee our obligations under the Revolving Credit Facility Agreement on or prior to the date on which the Target provides its Notes Guarantee, to the extent applicable. In particular, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target is expected to provide a guarantee in respect of its obligations under the Revolving Credit Facility Agreement within 30 Business Days from the first anniversary of the Acquisition Closing Date, whereas the Target will only be required to provide its Notes Guarantee within the date falling eighteen months following the Acquisition Closing Date. Prior to the Post-Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Notes Guarantee by the Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including, following the Acquisition Closing Date, the Target). In the event that the Post-Completion Merger does not occur, and after the granting of the Notes Guarantee by the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

A portion of the operations of the Target Group is conducted through Restricted Subsidiaries that are not expected to be Guarantors and that are not expected to merge with the Issuer. Claims of creditors of non-Guarantor Restricted Subsidiaries (including, prior to the Post-Completion Merger or the grant of its Notes Guarantee, the Target), including trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of minority stockholders and preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer, including Holders. All of the liabilities of the Subsidiaries of the Target, including obligations to trade creditors and creditors holding claims under debt and guarantees issued by such Subsidiaries, will rank structurally senior to the Notes.

For the year ended December 31, 2019, the Target accounted for 72% of the revenue and 63% of the consolidated Adjusted EBITDA of the Target Group, in each case, excluding intercompany eliminations. As of December 31, 2019, the Target accounted for 91% of the total assets of the Target Group, excluding intercompany eliminations. None of the subsidiaries of the Target is expected to guarantee the Notes. In addition, there would have been €160.0 million available for drawing by the Issuer under the Revolving Credit Facility, assuming the Revolving Credit Facility remains undrawn as of the Acquisition Closing Date and, to the extent the Target enters into such facility, there will be an additional €30.0 million available for drawing under the BPM Facility. See "*Description of Certain Financing Arrangements.*" For a description of certain indebtedness and other financing facilities of the Target Group that are expected to remain outstanding, committed and/or available on a pro forma basis after giving effect to the Transactions, see "*Description of Certain Financing Arrangements—Rolled Target Indebtedness*."

Principal and Maturity

On the Issue Date, the Issuer will issue € million in aggregate principal amount of Fixed Rate Notes and € million in aggregate principal amount of Floating Rate Notes. The Notes will mature on , 2026. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Additional Notes

The Indenture will be unlimited in aggregate principal amount, of which € million in aggregate principal amount of Fixed Rate Notes and € million in aggregate principal amount of Floating Rate Notes will be issued in this offering. We may, subject to applicable law, issue an unlimited principal amount of additional Fixed Rate Notes having identical terms and conditions as the Fixed Rate Notes (any such additional Fixed Rate Notes actually issued, the "*Additional Fixed Rate Notes*") and/or an unlimited principal amount of additional Floating Rate Notes having identical terms and conditions as the Floating Rate Notes (any such additional Floating Rate Notes actually issued, the "*Additional Floating Rate Notes*" and together with any Additional Fixed Rate Notes, the "*Additional Notes*"), except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee (copying the Paying Agent):

(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 rate or rates, the date or dates from which such interest shall accrue, the 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 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 in 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.

The Fixed Rate Notes (and any Additional Fixed Rate Notes subsequently issued under the Indenture) and the Floating Rate Notes (and any Additional Floating Rate Notes subsequently issued under the Indenture) will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers and amendments, but not, except upon the election of the Issuer, in respect of redemptions and offers to purchase; *provided* that if any Additional Fixed Rate Notes are not fungible with the Fixed Rate Notes for U.S. federal income tax purposes and Italian tax purposes, such Additional Fixed Rate Notes will be issued with a separate ISIN code or common code, as applicable, from the Fixed Rate Notes, and that if any Additional Floating Rate Notes are not fungible with the Floating Rate Notes for U.S. federal income tax purposes and Italian tax purposes, such Additional Floating Rate Notes will be issued with a separate ISIN code or common code, as applicable, from the Floating Rate Notes. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*Certain Covenants—Limitation on Indebtedness*" and "*Certain Covenants—Limitation on Liens*"). Unless otherwise excluded or unless the context otherwise requires, for all purposes under the Indenture and this "*Description of the Notes*," references to "*Fixed Rate Notes*" shall be deemed to include the Fixed Rate Notes issued on the Issue Date as well as any Additional Fixed Rate Notes that are actually issued, references to "*Floating Rate Notes*" shall be deemed to include the Floating Rate Notes issued on the Issue Date as well as any Additional Floating Rate Notes that are actually issued and all references to the "*Notes*" include the Notes issued on the Issue Date and any Additional Notes that are actually issued.

Interest

Fixed Rate Notes

Interest on the aggregate principal amount of Fixed Rate Notes at any time outstanding will accrue at the rate of % per annum. Interest on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable semi-annually in arrears, on and of each year, beginning on , 2021;
- be payable to the Holder of record of such Fixed Rate Notes on the Business Day immediately preceding the related interest payment date; and
- be computed on the basis of a 360 day year comprised of twelve 30 day months.

Interest on overdue principal and interest will accrue at a rate that is 1% higher than the applicable rate of interest. In no event, however, will the rate of interest on the Fixed Rate Notes be higher than the maximum rate permitted by applicable law.

Floating Rate Notes

Interest on the aggregate principal amount of Floating Rate Notes at any time outstanding will accrue at a rate per annum, reset quarterly, equal to the sum of three month EURIBOR (with a 0% floor), plus % (such sum, the "*Applicable Rate*"), as determined by the Calculation Agent. Interest on the Floating Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable quarterly in arrears, on each , , and , beginning on , 2020;
- be payable to the Holder of record of such Floating Rate Notes on the Business Day 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.

Interest on overdue principal and interest, as applicable, will accrue at a rate that is 1% higher than the then applicable rate of interest. In no event, however, will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law*; provided, however*, that the Calculation Agent (as defined below) shall not be responsible for verifying that the rate of interest on the Floating Rate Notes is permitted under applicable law.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (London 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*") and notify the Issuer in writing thereof. The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding on the Interest Calculation Date, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365*; provided*, *however*, that interest shall only be paid in respect of Floating Rate Notes outstanding on the applicable interest payment dates. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rates and the Interest Amounts by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties.

Interest on the Floating Rate Notes shall be payable entirely in cash in euros.

The ability of the Issuer and, following the Post-Completion Merger, MergerCo, to make payments of principal, interest and Additional Amounts, if any, on the Notes is subject to important limitations and restrictions. See "*Risk Factors—Risks Related to Our Capital Structure—The Issuer is a holding company that* *has no revenue generating operations of its own and prior to the Post-Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.*"

As used herein:

"*Calculation Agent*" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be Elavon Financial Services DAC.

"*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 Calculation Agent will request the principal London office of each of four major banks in the euro zone inter-bank market, as selected by the Calculation Agent, 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 Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, 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, the alternative basis for determining the rate of interest on the Floating Rate 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, in consultation with the Calculation Agent, shall determine a reasonably appropriate alternative basis for determining the rate of interest on the Floating Rate 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 will 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 payments of interest on the Floating Rate Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Floating Rate 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*; 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 and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. 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. The initial Paying Agent will be Elavon Financial Services DAC (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*"), and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

Subject to the above restrictions, the Issuer may change the Paying Agent, Registrar, Transfer Agent or Calculation Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar, Transfer Agent or Calculation Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or Calculation Agent in respect of the Notes.

Notes Guarantees

General

On the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Target or any of its subsidiaries. Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable law, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the Whitewash Procedure and guarantee the Notes on a senior secured basis as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months after the Acquisition Closing Date; provided that this undertaking shall no longer apply following the consummation of the Post-Completion Merger. The Whitewash Procedure is subject to certain conditions and significant limitations under applicable Italian law and there is no assurance that it will be completed.

In addition, as described below under "*Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles (including, among others, limitations arising due to corporate benefit rules), if Subsidiaries of the Issuer in the future guarantee the Revolving Credit Facility or certain other Indebtedness of the Issuer permitted under the Indenture, such Person or Persons shall also enter into one or more Notes Guarantees or supplemental indentures to become Guarantors of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and 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 rules, corporate benefit rules, fraudulent preference rules, "*thin capitalization*" rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "*transfer pricing,*" "*thin capitalization,*" "*earnings stripping,*" "*controlled foreign corporation*" and other tax restrictions, "*exchange control restrictions,*" "*capital maintenance*" rules and "*liquidity impairment*" rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the "*Group*") to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly*; provided* that the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the determination that the time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs and all applicable legal fees) related to granting the relevant guarantee and/or security (including in respect of the security, the extent of its perfection and/or registration) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security;

- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof*; provided* that reasonable endeavors (exercised for a specified period of time) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group will not be required to give guarantees or enter into security documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group, *provided* that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group shall use reasonable endeavors (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the secured parties)*; provided* that it shall be permissible to use "*parallel debt*" provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents); and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Notes by a Holder;

- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be determined as excessive by the Issuer, and the agreement that where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;

- the agreement that security will not be required over any assets subject to security in favor of a third party (other than certain limited exceptions in relation to bank accounts) or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);

- the agreement that it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement and guarantees and that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group;
- the agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and the Intercreditor Agreement (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles; and
- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group organized in certain excluded jurisdictions or otherwise over the shares of a member of the Group located in any such excluded jurisdiction.

A Notes Guarantee (if any) will be subject to certain contractual and legal limitations, as described under "*—Notes Guarantees*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." In particular, the Notes Guarantee which, subject to the Agreed Security Principles and certain material limitations pursuant to applicable laws, is expected to be provided by Target as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020 and in any event prior to the date falling eighteen months following the Acquisition Closing Date if the Post-Completion Merger does not occur within the first anniversary of the Acquisition Closing Date, will not in any event exceed at any time an amount equal to the lower of (i) the amount of distributable profits and available reserves that will be set aside for such purposes in connection with the Whitewash Procedure; and (ii) the aggregate principal amount of the Funding Loan outstanding at the time of the enforcement of the Notes Guarantee, in each case net of any proceeds already paid by the Target pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by the Target; *provided* further that the Target shall not be liable as a Guarantor in respect of any amounts in excess of the amount that the Target is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by the Target under its Notes Guarantee. By virtue of these limitations, the Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or the Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral and/or Escrowed Property may adversely affect the validity and enforceability of the Guarantee and the Collateral and/or Escrowed Property*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*" and *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests—Italy—Limitations on Validity and Enforceability of the Guarantee and Security Interests Under Italian Law."* In addition, the Note Guarantee may be released under certain circumstances. See "*—Notes Guarantees Release.*"

The Target will guarantee our obligations under the Revolving Credit Facility Agreement on or prior to the date on which the Target provides its Notes Guarantee, to the extent applicable. In particular, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target is expected to provide a guarantee in respect of its obligations under the Revolving Credit Facility Agreement within thirty Business Days from the first anniversary of the Acquisition Closing Date, whereas the Target will only be required to provide its Notes Guarantee within the date falling eighteen months following the Acquisition Closing Date. Prior to the Post-Completion Merger and, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, prior to the granting of the Guarantee by the

Target, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including, following the Acquisition Closing Date, the Target). In the event that the Post-Completion Merger does not occur, and after the granting of the Notes Guarantee by the Target (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Target. After the Post-Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

A portion of the operations of the Target Group is conducted through Restricted Subsidiaries that are not expected to be Guarantors. Claims of creditors of non-Guarantor Restricted Subsidiaries (including, prior to the Post-Completion Merger or the grant of its Notes Guarantee, the Target), including trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of minority stockholders and preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer, including Holders. All of the liabilities of the Subsidiaries of the Target, including obligations to trade creditors and creditors holding claims under debt and guarantees issued by the Target Group companies (other than the Target), will rank structurally senior to the Notes. If granted, the Notes Guarantee of the Target will be subject to certain material limitations. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Although the Indenture restricts the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries in excess of the limitations described under "*Certain Covenants—Limitation on Indebtedness,*" such limitations are subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*Certain Covenants—Limitation on Indebtedness.*"

Notes Guarantees Release

The Notes Guarantee of a Guarantor will be automatically and unconditionally released and discharged upon:

(1) a sale or other disposition (including by way of consolidation, dissolution or merger) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of the Issuer (whether by direct sale or sale of a holding company) if the sale or other disposition does not violate the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and such Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(2) the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";

(4) pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement (including as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions Following an IPO*");

(5) as described under "*Amendments and Waivers*";

(6) as described in the second paragraph of the covenant described below under "*Certain Covenants—Additional Guarantees*"; or

(7) as a result of a transaction that would not be prohibited under "*Certain Covenants—Merger and Consolidation*" (including the Post-Completion Merger, to the extent applicable).

At the request and expense of the Issuer and, if applicable, at the request of the Security Agent, the Trustee shall take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee. The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to any release or amendment of a Notes Guarantee has occurred, and that such release complies with the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of 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 an amount equal to the gross proceeds of the offering of the applicable series of Notes sold on the Issue Date into the Escrow Accounts. Each Escrow Account will be a segregated bank account held and controlled by the Escrow Agent in the name of the Issuer and will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the Holders of the Fixed Rate Notes or the Floating Rate Notes, as applicable, 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 Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property.*"

In order to cause the Escrow Agent to release the Escrowed Property to, or to be paid at the instruction of, the Issuer (the "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall conclusively rely, without further investigation or liability, to the effect that:

- the Escrowed Property will be applied in substantially the same manner as described in this Offering Memorandum;
- the Acquisition has been consummated or will be consummated within one Business Day following the Release, on substantially the same terms as described in this Offering Memorandum under the section "*Summary—The Transactions*," except for any changes or other modifications that will not, when taken as a whole, have a material adverse effect on the Holders of the Notes; and
- as of the Acquisition Closing Date, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "*Events of Default*" below.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the "*Escrow Release Date*"). Upon the Release, both Escrow Accounts 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 Escrow Release Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer notifies the Trustee and the Escrow Agent that in its reasonable judgment the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Initial Investors cease to beneficially own or control a majority of the issued and outstanding Capital Stock of the Issuer, (d) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "*Events of Default*" below on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100.0% of the respective issue prices of the Fixed Rate Notes and Floating Rate Notes, as applicable, plus accrued interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below).

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 and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special 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 to the Issuer.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders a security interest in the applicable Escrow Accounts. 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.

Pursuant to a shortfall agreement between the Issuer and the Third Party Security Provider to be entered on or about the Issue Date (the "Shortfall Agreement"), the Third Party Security Provider will be required to contribute to each of the Escrow Accounts an amount equal to the amount by which the 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 the conditions to the escrow 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. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption.*"

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 of such Special Mandatory Redemption and any relevant details relating to such special mandatory redemption.

Amounts may be released from the Escrow Account prior to the Acquisition Closing Date to pay negative interest charged on the Escrow Account.

The provisions of the Indenture relating to the Escrow Longstop Date or the Issuer's obligations to redeem the Notes in connection with a Special Mandatory Redemption may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes.

Security

General

On the Issue Date, subject to certain perfection requirements, the Notes will only be secured by the Escrowed Property, on a first priority basis.

On or about the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the "*Completion Collateral*," consisting of a pledge over (i) all of the shares of the Issuer held by the Third Party Security Provider, (ii) any structural intercompany receivables owed to the Third Party Security Provider by the Issuer (if any) and (iii) the material bank accounts of the Issuer held in Italy (without control over use) (if any) on a first-priority basis.

Within ten Business Days from (and excluding) the Acquisition Closing Date, subject to the Agreed Security Principles and certain perfection requirements, the Notes will be secured by the "*Post-Completion Collateral*," consisting of a pledge over (i) the entire issued share capital of the Target held by the Issuer and (ii) the structural intercompany receivables owed to the Issuer by the Target, including under the Funding Loan.

Within ten Business Days from (and excluding) the Merger Date (to the extent that it occurs), the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements, by the "*Post-Merger Collateral*," consisting of a pledge (granted or reconfirmed) over (i) all of the shares of MergerCo held by each applicable holding company, (ii) the structural intercompany receivables owed to each applicable holding company by MergerCo (if any), (iii) the shares in certain direct wholly-owned material subsidiaries of MergerCo's, (iv) the structural intercompany receivables owed to MergerCo by certain direct wholly-owned material subsidiaries of MergerCo (if any) and (v) MergerCo's material bank accounts held in Italy (without control over use) (if any) which have been previously pledged in favor of the Notes.

In the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, within 20 Business Days following the issuance by the Target of its Notes Guarantee, the Notes will be secured, subject to the Agreed Security Principles and certain perfection requirements and certain material limitations pursuant to applicable laws, by the "*Target Collateral*," consisting of (i) pledges over the structural intercompany receivables owed to the Target by certain direct wholly-owned material subsidiaries of the Target (if any) and (ii) pledges over the shares in certain direct wholly-owned material subsidiaries of the Target.

The Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral and the Target Collateral, together with any and all assets from time to time in which a Security Interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, is referred to herein as the "*Collateral*".

We intend to use commercially reasonable efforts to merge the Issuer with the Target in the Post-Completion Merger, with the resulting entity being MergerCo. Following the Post-Completion Merger, MergerCo will assume the obligations of the Issuer under the Notes. Concurrently with the Post-Completion Merger, the Security Interests over the Issuer's receivables in respect of the Funding Loan will be automatically terminated and (a) in the event that the Issuer is the successor company of the Post-Completion Merger, the security interest over the share capital of the Target will be extinguished by operation of law or (b) in the event that the Target is the successor company of the Post-Completion Merger, the security interest over the share capital of the Issuer will be extinguished by operation of law. To the extent applicable, certain Security Interests granted in favor of the Notes will be re granted or re confirmed (to the extent necessary) in accordance with the covenant described under "*Certain Covenants—Impairment of Security Interest*" following the Post-Completion Merger. We cannot assure you that we will be able to complete the Post-Completion Merger.

See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—Our right to receive payments under the Funding Loan may be subordinated by law to the obligations of other creditors*."

The assets that comprise the Collateral will also secure on a first priority basis the Revolving Credit Facility and certain Hedging Obligations, which, in each case, will contractually be entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes.

Subject to certain conditions, and subject to the restrictions described under "*Certain Covenants—Impairment of Security Interest*" and "*Certain Covenants—Limitation on Liens,*" the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement.

The Collateral will be pledged or assigned pursuant to the Security Documents the Security Agent on behalf of the Holders and lenders under the Revolving Credit Facility and other secured parties. Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "*Collateral.*" Any future additional Collateral (for the avoidance of doubt, other than Collateral that is released and retaken either (i) pursuant to clause (1) under "*—Release of Liens*" or (ii) as would not be prohibited under "*Certain Covenants—Impairment of Security Interest*") will be subject to the Agreed Security Principles and all Collateral will be subject to any Permitted Collateral Liens.

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 Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" in this Offering Memorandum.

All of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations (if any), which, pursuant to the terms of the Intercreditor Agreement, will receive proceeds from the enforcement of the Collateral in priority to the Notes, and may also secure certain future Indebtedness on the same basis with respect to the receipt of proceeds from the enforcement of the Collateral in priority to the Notes. The proceeds from the enforcement of the Collateral after all such obligations have been satisfied may not be sufficient to satisfy the obligations owed to the Holders.

No appraisals of the Collateral have been made in connection with this offering of 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 Guarantee and the Security Interests—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*" and "*—The Collateral is limited to certain specific assets, 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*."

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, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent, and the Paying Agent, Registrar, Transfer Agent and Calculation Agent (collectively, the "*Agents*") and the Holders under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes and the Security Documents, which will provide, among other things, that the obligations of the Issuer under the Revolving Credit Facility, certain Hedging Obligations, the Notes and the Notes Guarantees will be secured equally and ratably by first priority Security Interests over the Collateral. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Credit Facility and certain Hedging Obligations will receive proceeds from the enforcement of the Collateral in priority to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" In addition, subject to certain limitations, the Collateral may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Collateral in priority to the Notes. 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 the payment, when due, of the Issuer's and the Guarantors' payment obligations under the Notes, the Notes Guarantees and the Indenture, as well as the Issuer's and the Guarantors' payment obligations under the Revolving Credit Facility and certain Hedging Obligations. The Security Documents will be entered into by the relevant security provider and the Security Agent for itself and as agent for the secured parties and also as legal representative (*mandatario con rappresentanza*) under the Intercreditor Agreement and as Security Representative. When entering into the Security Documents, the Security Agent will act in its own name and as *mandatario con rappresentanza*, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent (including in its role as Security Representative). Under the Intercreditor Agreement, the Security Agent (including in its role as Security Representative) will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging arrangements in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens.*"

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the 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 Guarantee and the Security Interests.*"

Enforcement of Security Interest; Limitations

The creditors under the Revolving Credit Facility, the counterparties to certain Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*mandato con rappresentanza*) of the Italian Civil Code, the Security Agent to act as its agent and *mandatario con rappresentanza* under the Intercreditor Agreement and the relevant 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, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent 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, together with any other incidental rights, power and discretions; and (ii) execute each relevant Security Document, waiver, modification, amendment, renewal or replacement 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) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(4) agreed to, and accepted, the appointment of U.S. Bank Trustees Limited, as representative (*rappresentante*) of the noteholders for the purposes of Article 2414-*bis*, paragraph 3, of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement, any Additional Intercreditor Agreement, the Indenture and the Security Documents; and

(6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

See the sections entitled "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—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*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "*Certain Covenants—Additional Intercreditor Agreements.*"

Release of Liens

The Third Party Security Provider, the Issuer and the Issuer's Subsidiaries (as applicable) will be entitled to release the Security Interests 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 that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited under the Indenture or (b) to any Restricted Subsidiary*; provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock, obligations under proceeds loans owed to the Issuer, or 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 transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries*; provided* that such contribution is made in compliance with the Intercreditor Agreement;

(7) in the case of the Security Interests in the Issuer's receivables under the Funding Loan and (a) in the event that the Issuer is the successor company of the Post-Completion Merger, the Security Interest over the share capital of the Target or (b) in the event that the Target is the successor company of the Post-Completion Merger, the Security Interest over the share capital of the Issuer, upon the Post-Completion Merger, as described under "*Security*";

(8) with respect to the Fixed Rate Notes, upon achievement of the conditions described under "*Certain Covenants—Suspension of Covenants and Release of Fixed Rate Notes Security Interests on Achievement of Investment Grade Status*"; or

(9) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (including in connection with an IPO pushdown as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions Following an IPO*") and (b) as may be permitted under "*Certain Covenants—Impairment of Security Interest.*"

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent required or necessary, the Trustee will take all reasonably necessary action required to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document, subject to customary protections and indemnification, if applicable. 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). The Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Indenture.

Transfer and Exchange

The Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("*Rule 144A*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee 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 ("*Regulation S*") will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global 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 "*Notice to Investors.*" 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 may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry; Interests in the 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "*qualified institutional buyer*" within the meaning of Rule 144A) in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the two 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 "*Notice to Investors.*"

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 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.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, the Issuer will not have any Subsidiaries. As of the Acquisition Closing Date, all of the Issuer's Subsidiaries are expected to be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary,*" we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer or its successor shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Security Documents shall operate (with effect from the date specified in such notice) as described in "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions Following an IPO.*" The Trustee and the Security Agent shall be required (at the expense of the Issuer) to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) or the Security Documents required by the Issuer and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph; *provided* that such amendment will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or the Security Agent under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—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.*"

The Funding Loan

On the Acquisition Closing Date, the Issuer will use a portion of the proceeds from the Offering to fund the Funding Loan, which will be used to repay or otherwise refinance the Refinanced Target Indebtedness (the "*Refinancing*") and fund cash to the Target's balance sheet. As of March 31, 2020, the principal amount of the Refinanced Target Indebtedness amounted to approximately €291.5 million, excluding accrued and unpaid interest. and prepayment penalties as of March 31, 2020. The aggregate amount of the Funding Loan, using the amount as of March 31, 2020, is currently expected to be approximately €128.4 million, which is significantly lower than the aggregate principal amounts of the Notes.

However, the principal amount of Refinanced Target Indebtedness as well as the amount of accrued and unpaid interest and prepayment penalties outstanding and payable on the Acquisition Closing Date may vary from the amounts outstanding and due on March 31, 2020. Therefore, the aggregate amount of the Funding Loan may change in order to reflect the actual amounts we will need to finance the Refinancing. If the amounts required to repay the Refinanced Target Indebtedness on the Acquisition Closing Date exceed the estimated amounts as of March 31, 2020 mentioned above, we expect to utilize the cash on balance sheet currently expected to result from the application of the proceeds from the Financing, as indicated under "*Use of Proceeds.*" Subject to certain significant exceptions, the Funding Loan documentation will, prior to the Post-Completion Merger, restrict the repayment, reduction, extinction or equitization of the Funding Loan. Such exceptions include but are not limited to the refund of a certain amount of cash overfunding of the Target's balance sheet in connection with the Transactions and payment of principal, premia and interest in respect of the Notes. However, the Indenture will not include any restrictions on the Issuer or the Target to amend the Funding Loan documentation. Any reduction in the principal amount of the Funding Loan would reduce the value of such receivable and the value of the Post-Completion Collateral, as well as the value of the Target Collateral and the Notes Guarantee (if granted) of the Target. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—The principal amount of the Funding Loan may be less than anticipated as a result of prepayments of certain indebtedness of the Target Group prior to the Acquisition Closing Date*."

Post-Completion Merger

Following the Acquisition Closing Date, we intend to use commercially reasonable efforts to merge the Issuer with the Target in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable during the twelve months following the Acquisition Closing Date. Following consummation of the Post-Completion Merger, all references in the Indenture to the "Issuer" shall refer to MergerCo, unless the context otherwise requires. The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.*"

In the event that the Post-Completion Merger has not been consummated prior to the date falling twelve months after the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the "whitewash procedure" under Article 2358 of the Italian Civil Code and issue a Notes Guarantee as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months following the Acquisition Closing Date, subject to the corporate benefit analysis by the board of directors of the Target and the limitations on guarantees as provided in "*Note Guarantees*" herein; *provided* that this undertaking shall no longer apply following consummation of the Post-Completion Merger. The Issuer shall procure that, within 20 Business Days following the issuance by the Target of its Notes Guarantee, the Notes will also be secured by: (i) pledges over the structural intercompany receivables owed to the Target by certain direct, wholly-owned material subsidiaries of the Target (if any); and (ii) pledges over the shares in certain direct, wholly-owned material subsidiaries of the Target, subject to the limits of the Whitewash Procedure, the Agreed Security Principles and the applicable limitations as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*." See *"Description of Notes—Security*," "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—Once granted, the Guarantee 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 Guarantee and the Security Interests—The Issuer's right to receive payments under the Funding Loan prior to the Post-Completion Merger (if it occurs) may be subordinated by law to the obligations of other creditors*."

Optional Redemption

Fixed Rate Notes

Except as described below and except as described under "*Escrow of Proceeds; Special Mandatory Redemption*" and "*Redemption for Taxation Reasons,*" the Fixed Rate Notes are not redeemable until , 2022. On and after , 2022, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date, if redeemed during the twelve month period beginning on of the years indicated below:

Year	Redemption Price
2022	%
2023	%
2024 and thereafter	100.0000%

Prior to , 2022, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes issued under the Indenture (including the aggregate principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' prior written notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount of the Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date*; provided* that:

(1) at least 50% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes) issued under the Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time from time to time prior to , 2022, the Issuer may, at its option, during each calendar year redeem up to 10% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' prior written notice, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date.

In addition, prior to , 2022, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes, plus the Fixed Rate Applicable Premium, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date.

"*Fixed Rate Applicable Premium*" means, with respect to any Fixed Rate Note the greater of:

(a) 1% of the principal amount of such Fixed Rate 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 Fixed Rate Note at , 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Fixed Rate Note to and including , 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; *over*

 (ii) the outstanding principal amount of such Fixed Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of the Fixed Rate Applicable Premium shall not be an obligation or duty of the Trustee or any of the Agents.

Floating Rate Notes

Except as described below and except as described under "*Escrow of Proceeds; Special Mandatory Redemption*" and "*Redemption for Taxation Reasons,*" the Floating Rate Notes are not redeemable until , 2021. On and after , 2021, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at a redemption price equal to 101% of the principal amount of the Floating Rate Notes plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date. On and after , 2022, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date.

In addition, prior to , 2021, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Floating Rate Notes, plus the Floating Rate Applicable Premium (as defined below), plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date.

"*Floating Rate Applicable Premium*" means, with respect to any Floating Rate Note the greater of:

(a) 1% of the principal amount of such Floating Rate 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 Floating Rate Note at , 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Floating Rate Note to and including , 2021 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through , 2021, will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(ii) the outstanding principal amount of such Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of the Floating Rate Applicable Premium shall not be an obligation or duty of the Trustee or any of the Agents.

"*Bund Rate*" as selected by the Issuer, means the rate per annum equal to the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors of the Issuer)) most nearly equal to the period from the redemption date to , 2022, in respect of the Fixed Rate Notes, or , 2021, in respect of the Floating Rate Notes*; provided*, however, that if the period from the redemption date to , 2022, in respect of the Fixed Rate Notes, or , 2021, in respect of the Floating Rate Notes, 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 , 2022, in respect of the Fixed Rate Notes, or , 2021, in respect of the Floating Rate Notes, 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.

General

Subject to compliance with the covenants contained herein, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine, and the amounts purchased may be material.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

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. The Issuer may redeem Fixed Rate Notes or Floating Rate Notes without redeeming the other class, or may redeem a combination of Fixed Rate Notes and/or Floating Rate Notes in any proportion it determines.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for either series of Notes, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes of such series 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 of such series validly tendered and not 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 of such series that remain outstanding in whole, but not in part following such purchase at a price equal to the price (excluding any early tender fee) offered to each other Holder of Notes of such series in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On , 2026, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Fixed Rate Notes or Floating Rate Notes (as applicable) are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes of the applicable series for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "*Book-Entry; Delivery and Form,*" based on a method that most nearly approximates a *pro rata* selection of the applicable series in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may instead be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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 Global 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.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at its discretion, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice or published guidance) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Notes Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice.*" Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer or successor Person, as applicable, 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 and that the relevant Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes or otherwise 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 clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee 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 but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee; or

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor or any other person through whom payment can be made addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to do so; or

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (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); or

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Notes Guarantee; or

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge; or

(6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("*Legislative Decree No. 239*") and pursuant to Italian Legislative Decree No. 461 of November 21, 1997, unless the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to actions or omissions of the Issuer or its agents; or

(7) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Acquisition Closing Date (or, in each case, any amended or successor version that is substantively comparable), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. Such copies shall be made available to the Holders upon reasonable request, and will be made available at the offices of the Paying Agent. The Payor will attach to each such certified copy or other evidence of such payments a certificate stating that the amount of withholding Taxes evidenced by the certified copy or other evidence was paid in connection with payments in respect of the principal amount of Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee 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 shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse the Holders for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (7)).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control,*" each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof*; provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase*; provided, however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading "*Change of Control,*" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*Optional Redemption*" and 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 may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly, at the cost of the Issuer, mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any*; provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxembourger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

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 withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require the Issuer to make 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 and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources and whether the Restricted Subsidiaries are permitted to distribute funds to the Issuer. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—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*" and "*Risk Factors—Risks Related to Our Capital Structure—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post-Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.*"

The definition of "*Change of Control*" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries to specified other Persons. Although there is a limited body of case law interpreting the phrase "*substantially all,*" there is no precise established definition of the phrase "*substantially all*" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "*all or substantially all*" of the property and assets of the Issuer and its Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness)*; provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness), if on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0*; provided* that the aggregate principal amount of such Indebtedness that may be incurred pursuant to this paragraph by Restricted Subsidiaries that are not Guarantors may not cause the Non Guarantor Debt Cap to be exceeded.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder) in a maximum aggregate

principal amount at any time outstanding not exceeding the greater of €183 million and 100% of Consolidated EBITDA;

(2)

(a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant*; provided* that if the Indebtedness being guaranteed is subordinated or *pari passu* with a Notes Guarantee, then the Guarantee of such Indebtedness shall be subordinated or *pari passu* to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "*—Limitation on Liens,*" Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary*; provided, however*, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness is unsecured and, only to the extent legally permitted (the Issuer or the relevant Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), it is expressly subordinated to the prior payment in full in cash of all obligations with respect to the applicable Notes Guarantee pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4)

(a) Indebtedness represented by the Notes (other than any Additional Notes), the Note Guarantees and any "*parallel debt*" obligations related to the Notes and the Note Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement, as well "*parallel debt*" obligations related to any other Indebtedness permitted to be Incurred pursuant to the Indenture;

(b) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause 4(a), this clause 4(b), clause 4(c) and clause (5)(II) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

(c) an amount equal to any Indebtedness of the Target Group outstanding, committed or available for borrowing or utilization as in effect as of the Acquisition Closing Date after giving *pro forma* effect to the Transactions; and

(d) Indebtedness Incurred in respect of Management Advances;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary or is otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary*; provided* that Indebtedness Incurred pursuant to this clause (5) is in an aggregate amount then outstanding not to exceed (I) the greater of €37 million and 20% of Consolidated EBITDA, plus (II) unlimited additional Indebtedness to the extent that after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio for the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness in respect of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used or useful in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness or reimburses amounts used for such purposes, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, does not exceed at any time outstanding the greater of €55 million and 30% of Consolidated EBITDA*; provided* that such Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 365 days thereafter; or (b) Indebtedness in respect of Sale and Leaseback Transactions and any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business; and (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or (ii) deferred compensation or other similar arrangements in connection with the Transactions or any other Investment or acquisition permitted hereby;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition)*; provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness 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*; provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) (i) customer deposits and advance payments received for good faith commercial reasons from customers for goods or services purchased in the ordinary course of business or consistent with past practice and (ii) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into for good faith commercial reasons in the ordinary course of business or consistent with past practice;

(c) Indebtedness owed on a short term basis of no longer than 30 days to banks and other financial institutions Incurred 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 to manage cash balances of the Issuer and the Restricted Subsidiaries; and

(d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €73 million and 40% of Consolidated EBITDA;

(12) Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer, in each case, subsequent to the Acquisition Closing Date*; provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the second paragraph and clauses (1), (6) and (16) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer or any Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under the second paragraph and clauses (1), (6) and (16) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon*; provided* that the aggregate principal amount of such Indebtedness that may be incurred pursuant to this clause (12) by Restricted Subsidiaries that are not Guarantors may not cause the Non Guarantor Debt Cap to be exceeded;

(13) Indebtedness of Restricted Subsidiaries that are not Guarantors and Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of €37 million and 20% of Consolidated EBITDA at any time outstanding;

(14) the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of local lines of credit or working capital facilities not exceeding the greater of €37 million and 20% of Consolidated EBITDA at any time outstanding; and

(15) Indebtedness Incurred pursuant to factoring financings, securitizations, asset-backed loans and financings (howseover described or structured), receivables financings, reverse factoring financings or similar arrangements, in each case, that are either: (a) not recourse to the Issuer or any Restricted Subsidiary other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Issuer for such type of arrangement or except for Standard Securitization Undertakings); or (b) not in excess of the greater of €28 million and 15% of Consolidated EBITDA at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) subject to clause (2) below, in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the first or second paragraph of this covenant;

(2) all Indebtedness Incurred under the Revolving Credit Facility shall be deemed Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;

(3) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Limitation on Liens*" shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees, underwriting discounts, premia and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge. Notwithstanding any other provision of this covenant or any

provision of the covenant set forth in "*—Limitation on Liens,*" the maximum amount that the Issuer or a Restricted Subsidiary may Incur and/or secure pursuant to this covenant and/or the covenant set forth in "*—Limitation on Liens*" 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 or Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness 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);

(4) 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;

(5) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (5), (7), (11), (12), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(6) 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;

(7) 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;

(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;

(9) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness (including interest paid in kind), the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant, nor to be the Incurrence of a Lien under the covenant set forth in "*—Limitation on Liens*"*; provided* that the Lien securing such originally Incurred Preferred Stock or Indebtedness was secured in accordance with the Indenture. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness; and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of "*Permitted Liens*" or any Permitted Collateral Lien, 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 Leverage Ratio or the Consolidated Senior Secured Leverage Ratio, as applicable, or use of clauses (1) through (15) 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 Leverage Ratio or the Consolidated Senior Secured Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under the covenant described under "*—Limitation on Liens*" irrespective of the Fixed Charge Coverage Ratio, Consolidated Leverage Ratio, Consolidated Senior Secured Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "*Reserved Indebtedness Amount*" as of such date

for purposes of the Fixed Charge Coverage Ratio, Consolidated Leverage Ratio, Consolidated Senior Secured Leverage Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (15) 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.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by such Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility*; provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness 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 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 of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and the Target Group outstanding on the Acquisition Closing Date shall be calculated based on the relevant currency exchange rate in effect on the Acquisition Closing Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (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 of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any Restricted Subsidiary, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding;

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis); or

   (c) dividends or distributions payable to any Parent to fund interest payments in respect of Indebtedness of such Parent which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary (*provided* that (x) any net proceeds from such Indebtedness are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received (including by way of Indebtedness) by the Issuer or any Restricted Subsidiary; (y) any net proceeds described in sub-clause (x) above shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) of the immediately following paragraph and clauses (1), (6)(b) and (16) of the third paragraph of this covenant; and (z) in the case that any net proceeds described in subclause (x) above are contributed to the Issuer or a Restricted Subsidiary in the form of Indebtedness, there shall be no double counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent to fund interest payments in respect of Indebtedness of such Parent);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on, or 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 in any Person (each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*").

Notwithstanding the foregoing, the Issuer or any Restricted Subsidiary may make Restricted Payments, if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer would have been permitted to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; and

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments (as defined below) permitted below by clauses (5) and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would not exceed the sum of (without duplication):

    (i) 50% of Consolidated Net Income of the Issuer for the period (treated as one accounting period) from the first day of the fiscal quarter in which the Issue Date occurs to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available; *provided* that the amount taken into account pursuant to this clause (i) shall not be less than zero (0);

    (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Acquisition Closing Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Acquisition Closing Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph and (z) Excluded Contributions);

    (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Acquisition Closing Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (y) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph and (z) Excluded Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "*Permitted Investment*";

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary from an Unrestricted Subsidiary, to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clauses (11), (17) or (18) of the definition of "*Permitted Investment*"; and

(vii) €20 million,

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clauses (iv), (v) or (vi). The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) 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 pursuant to clause (11) of this paragraph) 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 Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer*; provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the second paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or a 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 a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock,*" but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "*change of control*"), but only (i) if the Issuer shall have first complied with the terms described under "*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or any assets were acquired and related liabilities assumed by the Issuer or any Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such transaction or series of transactions) at a purchase price not greater than 100.00% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (in each case, including any options, warrants or other rights in respect thereof), in each case from Management Investors*; provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a)(x) prior to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €19 million and 10% of Consolidated EBITDA in any calendar year (with any amount unused in any calendar year being carried forward to the next succeeding calendar year) or (y) subsequent to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €28 million and 15% of Consolidated EBITDA in any calendar year (with any amount unused in any calendar year being carried forward to the next succeeding calendar year), plus (b) the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (c) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (b) and (c) are not included in any calculation under clause (c)(i) or (c)(ii) of the second paragraph under this covenant and are not Excluded Contributions;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; and

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), Restricted Payments in (i) an aggregate amount outstanding at any time not to exceed the greater of €64 million and 35% of Consolidated EBITDA; and (ii) any Restricted Payments, so long as, immediately after giving *pro forma* effect to the payment of such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Leverage Ratio shall be no greater than 3.25 to 1.00;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of senior management of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed (a) the aggregate amount of Excluded Contributions, or (b) an amount not to exceed the cash proceeds from a sale, conveyance, transfer or other disposition in respect of property or assets acquired with proceeds from Excluded Contributions;

(13) payment of any Receivables Fees and purchases of Receivables Assets and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing or Settlement Obligations;

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date*; provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or Excluded Contributions or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests*; provided* that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offerings by the Issuer or an IPO Entity or contributed to the capital of the Issuer by any Parent 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 Leverage Ratio shall be equal to or less than 3.75 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 Leverage Ratio shall be greater than 3.75 to 1.0, but equal to or less than 4.0 to 1.0, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization; and

(17) advances or loans (a) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; (b) to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); or (c) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent in an amount equal to the greater of €19 million and 10% of Consolidated EBITDA in any calendar year (with any amount unused in any calendar year being carried forward to the next succeeding calendar year).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or a member of senior management of the Issuer acting in good faith.

Limitation on Liens

The Third Party Security Provider, solely in respect of any of its property or assets constituting Collateral, will not, and the Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and all payments due under the Indenture are directly secured equally and ratably with, or prior to (in the case of Liens with respect to Subordinated Indebtedness), the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*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 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 such Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) the Indenture, the Notes, the Intercreditor Agreement or the Security Documents, (c) any other agreement or instrument, in each case in effect at or entered into on the Issue Date after giving *pro forma* effect to the Transactions, or (d) any other agreement or instrument with respect to the Target or the Target Group, in each case, in effect at or entered into on the Acquisition Closing Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date*; provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined below), the Successor Issuer or the Successor Guarantor (each as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer or the Successor Guarantor;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3)*; provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are (i) no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of senior management of the Issuer) or (ii) customary in comparable financings and where, in the case of this sub clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of senior management of the Issuer);

(4) 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;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all

or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction in respect of Hedging Obligations;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Acquisition Closing Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, the Notes or the Indenture, together with the Security Documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Acquisition Closing Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of senior management of the Issuer) or (b) constituting an Additional Intercreditor Agreement;

(12) any encumbrance or restriction effected in connection with a Qualified Receivables Financing or Settlement Obligations that, in good faith determination of the Board of Directors or a member of senior management of the Issuer are customarily Incurred in connection with a Qualified Receivables Financing or Settlement Obligations and that are necessary or advisable to effect such Qualified Receivables Financing or Settlement Obligations; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens.*"

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(a) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(b) Cash Equivalents;

(c) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or a Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Issuer or any Restricted Subsidiary) that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any Guarantee of such Indebtedness as a result of such Asset Disposition;

(d) Replacement Assets;

(e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €37 million and 20% of Consolidated EBITDA (with the fair market value of each issue of Designated Non Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in sub clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary, as applicable, to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem (a) the Notes and/or (b) Indebtedness (other than the Notes, Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) 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 in respect of the proceeds from the enforcement of the Collateral) at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens 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) and at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption*; provided, however*, that in connection with the prepayment, repayment or purchase of Indebtedness (other than the Notes or any revolving Indebtedness (including, for the avoidance of doubt, under the Revolving Credit Facility)), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitments (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased;

(2) purchase Notes pursuant to an offer to all Holders at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest thereon 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)*; 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 Available Cash equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clauses (1) through (6) of this paragraph or a combination thereof*; provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds.*" Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day, if a binding commitment as described in clause (8) above has been entered into) after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of €46 million and 25% of Consolidated EBITDA, the Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their euro equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered*; provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of the greater of €19 million and 10% of Consolidated EBITDA, unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of €46 million and 25% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved or ratified by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*" (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") and any agreement related to such Restricted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11), (14) and (19) of the definition thereof);

(2) any issuance or sale of Subordinated Shareholder Funding, Capital Stock, options, other equity related investments or other warrants or securities or rights to purchase Capital Stock, 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) any Management Advances and any waiver or transaction with respect thereto, or Parent Expenses;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or with an entity that is not an Affiliate that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Refinancing, (ii) the entry into and performance of obligations of the Issuer or any Restricted Subsidiary under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Acquisition Closing Date, as these agreements 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, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any Restricted Subsidiary is required or permitted to file a consolidated tax return, or the

formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business*; provided* that payments under such Tax Sharing Agreement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of "*Parent Expenses*";

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, including in respect of Settlement Obligations, in each case, in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer (other than an Unrestricted Subsidiary) or an Associate or similar entity, including any joint venture, that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock, or Subordinated Shareholder Funding*; provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) without duplication of the payments referred to under item 6 of the definition of "*Parent Expenses,*" (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring, transaction or advisory and other fees (including termination fees), indemnities and expenses in an aggregate amount not to exceed the greater of €10 million and 5% of Consolidated EBITDA per annum (with any amount unused in any calendar year being carried forward to the next succeeding calendar year) and, in each case, related expenses; and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, and payments related to the reimbursement of reasonable out of pocket expenses Incurred by a Permitted Holder in connection with its Investment in the Issuer or any Restricted Subsidiary, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions in respect of which the Issuer or a Restricted Subsidiary delivers a written opinion (in form and substance reasonably satisfactory to the Trustee) to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any of the Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out of pocket expenses of the Permitted Holders in connection therewith);

(14) pledges of Capital Stock of Unrestricted Subsidiaries;

(15) any transaction effected as part of a Qualified Receivables Financing or Settlement Obligations; and

(16) Investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) non Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock on the same or more favorable terms and (iii) in the case of securities, the investment constitutes less than 5% of the issue amount of such securities, 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.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 150 days after the end of the Issuer's first fiscal year ending after the Issue Date, and within 120 days after the end of each of the Issuer's fiscal years thereafter, annual reports containing: (a) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including 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; (b) unaudited *pro forma* income statement and balance sheet information of the Issuer together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause 2(b) or (2)(c) below)*; 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; (c) an operating and financial review of the audited financial statements, including a discussion of the consolidated results of operations, financial condition and liquidity and capital resources of the Issuer or the Target and a discussion of material commitments and contingencies; (d) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (e) a description of material risk factors and material subsequent events; and (f) adjusted EBITDA on a consolidated basis*; provided* that the information described in clauses (d), (e) and (f) may be provided in the footnotes to the audited financial statements;

(2) within 90 days after the end of the Issuer's fiscal quarter ending on September 30, 2020, and within 60 days after the end of each of the Issuer's first three fiscal quarters in each fiscal year of the Issuer thereafter, quarterly financial statements containing the following information: (a) 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; (b) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates*; 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; and (c) an operating and financial review of the unaudited financial statements;

(3) within 90 days after June 30, 2020, a trading update containing the following information: (a) unaudited revenues and adjusted EBITDA of the Target Group for the six months ended June 30, 2020; (b) unaudited segmental revenues for the six months ended June 30, 2020; (c) unaudited revenues and adjusted EBITDA for the industry verticals of the Target Group; and (d) a brief overview describing any trends, risks or events having a material impact on the Target Group's results, operations, financial position or prospects occurred during the quarter ended June 30, 2020; and

(4) 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 change in the chief executive officer or chief financial officer at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

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 Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also post such report on the Issuer's website. If and for so long as the Notes are listed on the Official List of Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant will also be posted to the website of the Luxembourg Stock Exchange.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented, except, in each case, as may otherwise be described in such information*; provided*, however, that the reports set forth in clauses (1), (2) and

(4) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided below, no report need include separate financial statements for the Issuer or 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. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's (a) total revenue or Consolidated EBITDA for the Relevant Testing Period or (b) consolidated assets as of the last day of the most recently completed fiscal quarter or month for which annual or quarterly financial reports have been delivered to the Trustee tested after giving effect to such transaction in the case of an acquisition and prior to giving effect to such transaction in the case of a disposition.

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 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 the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In the event that (i) the Issuer or any Parent 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 or such Parent, as applicable, is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

The Issuer may comply with the requirements of clauses (1) and (2) of this covenant by providing any report or financial statements of a direct or indirect Parent of the Issuer so long as such reports (if an annual or quarterly report) (a) meet the requirements (including as to content and time of delivery) of clause (1) and (2) of this covenant as if references to the Issuer therein were references to such Parent and (b) include condensed consolidated financial information together with separate columns for: (i) such Parent; (ii) the Issuer and the Restricted Subsidiaries on a combined basis; (iii) any other Subsidiaries of the Issuer on a combined basis; (iv) consolidating adjustments; and (v) the total consolidated amounts; provided, however, that financial information for a period in which the Target Group is not consolidated in the financial results of the Issuer for the entire period (including in respect of any prior-year period) may, upon the election of the Issuer, include only the consolidated financial information of the Target without any other financial information. For purposes of this covenant and any determination or calculation to be made under the Indenture, the Issuer may use financial statements of a predecessor of the Issuer or the Target for reporting or making calculations with respect to periods commencing prior to the Acquisition Closing Date. Upon complying with the foregoing requirements in this paragraph, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Any reports in respect of periods commencing prior to the Acquisition Closing Date shall only be as to the Issuer, and shall not be required to provide any information regarding the Group.

Additionally, in the event that, and for so long as, the equity securities of the Issuer or any Parent or IPO Entity are listed on the Main Market of the London Stock Exchange or one or more of the equivalent regulated markets of the Milan Stock Exchange, the Frankfurt Stock Exchange or the Paris Stock Exchange or another internationally recognized stock exchange (any of the foregoing, an "*International 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 International Exchange, 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 or such Parent or IPO Entity is, or would be, required to file with such International Exchange. Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with such International Exchange, 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.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person (other than in connection with the Post-Completion Merger), unless:

(1) the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Issuer*" in the case of such a transaction involving the Issuer) will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in a form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture, and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Issuer, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Successor Issuer, as applicable, shall have delivered to the Trustee (a) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the terms of the Indenture and (b) an Opinion of Counsel to the effect that in the case of the Successor Issuer, such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee)*; provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

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.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "*substantially all*" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "*all or substantially all*" of the property or assets of a Person.

Guarantors

No Guarantor of the Notes (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) will, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease, sell or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the other Person is the Issuer, in the case of a Guarantor, any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease, sell or other disposition;

(2) (a) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable (such resulting, surviving or transferee Person, the "*Successor Guarantor*"); and (b) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(3) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or a Guarantor; (iii) any consolidation or merger of any Guarantor into the Issuer*; provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; (iv) the Post-Completion Merger; and (v) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity*; provided, however*, that clauses (1) and (4) under the heading "*—The Issuer*" or clauses (1) through (3) under the heading "*—Future Subsidiary Guarantors,*" as the case may be, shall apply to any such transaction.

The Post-Completion Merger

The Issuer shall use commercially reasonable efforts to implement the Post-Completion Merger on terms complying with articles 2501-*bis* (*et seq.*) of the Italian Civil Code as soon as reasonably practicable during the twelve months following the Acquisition Closing Date.

The Indenture will provide that each Holder, by accepting a Note, will be deemed to agree, for the purposes of Section 2503-*bis* (*et seq*.) of the Italian Civil Code, to the consummation of the Post-Completion Merger and, in the event that the Target is the successor company of the Post-Completion Merger, the assumption by MergerCo of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and any relevant Security Documents, in accordance with the terms of the Indenture, upon completion of the Post-Completion Merger.

In the event that the Post-Completion Merger has not been consummated prior to the date falling twelve months after the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to implement the "whitewash procedure" under Article 2358 of the Italian Civil Code and issue a Notes Guarantee as soon as reasonably practicable following the approval of the annual financial statements of the Target for the financial year ending December 31, 2020, and in any event prior to the date falling eighteen months following the Acquisition Closing Date, subject to the corporate benefit analysis by the board of directors of the Target and the limitations on guarantees as provided in "*Note Guarantees*" herein; *provided* that this undertaking shall no longer apply following consummation of the Post-Completion Merger. The Issuer shall procure that, within 20 Business Days following the issuance by the Target of its Notes Guarantee, the Notes will also be secured by: (i) pledges over the structural intercompany receivables owed to the Target by certain direct, wholly-owned material subsidiaries of the Target (if any); and (ii) pledges over the shares in certain direct, wholly-owned material subsidiaries of the Target, subject to the limits of the Whitewash Procedure, the Agreed Security Principles and the applicable limitations as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests*."

Impairment of Security Interest

Neither the Third Party Security Provider nor the Issuer shall, 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 neither the Third Party Security Provider nor the Issuer shall, 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) the Third Party Security Provider, 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) the Third Party Security Provider, 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, the Post-Completion Merger or a transaction not prohibited by the covenant set forth under "*—Merger and Consolidation,*" (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) the Third Party Security Provider, the 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 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 Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness of the Issuer or a Guarantor Incurred pursuant to a Credit Facility (including, for the avoidance of doubt, the Revolving Credit Facility) or any Public Debt unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee*; 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 Notes Guarantee would be inconsistent with the Agreed Security Principles. At the option of the Issuer, any Notes Guarantee may contain limitations on such Guarantor's liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*The Notes Guarantees—Notes Guarantees Release.*" A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (1) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor or (2) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or the Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or clause (1), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (12) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), 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 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 to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add 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 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. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement 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,*" 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 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.

Suspension of Covenants and Release of Fixed Rate Notes Security Interests on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) the provisions of clause (3) of the covenant described under "*—Merger and Consolidation—The Issuer*";

(7) with respect to the Fixed Rate Notes, "*—Impairment of Security Interest*";

(8) the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*";

(9) "*—Limitation on Activities of the Issuer;*" and

(10) "*—Limitation on Activities of the Third Party Security Provider*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer, the Third Party Security Provider (to the extent applicable) or the Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The covenant set forth under "*—Limitation on Restricted Payments*" and the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*" will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness of the Issuer and the Restricted Subsidiaries Incurred during the continuance of the Suspension Event will be deemed to have been classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*"

Furthermore, (a) any transactions prohibited by the covenant set forth under "*—Limitation on Affiliate Transactions*" entered into after the Reversion Date pursuant to an agreement entered into during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (6)(ii) of the second paragraph of the covenant set forth under "*—Limitation on Affiliate Transactions,*" and (b) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" that becomes effective during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (1)(c) of the second paragraph of the covenant set forth under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries.*"

In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after the Reversion Date as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Reversion Date. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption (including the paragraph immediately following) have been satisfied, provided that, no such notification shall be a condition for the suspension of the covenants or the release of the Security Interests in respect of the Fixed Rate Notes described under this caption to be effective. The Trustee shall not be obliged to notify Holders of a Suspension Event or, if applicable, upon the occurrence of a Reversion Date.

The Issuer will have the right on and from the date on which the Fixed Rate Notes achieve Investment Grade Status to release from time to time any of the property and other assets included in the Collateral from the Liens securing the Fixed Rate Notes upon the Issuer delivering to the Trustee and the Security Agent an Officer's Certificate identifying the Collateral to be released and certifying that (a) the Fixed Rate Notes have achieved Investment Grade Status, (b) no Default or Event of Default under the Indenture has occurred and is continuing and (c) such Collateral has been or, simultaneously with any release relating to the Fixed Rate Notes, will be, released under any other Pari Passu Indebtedness (other than the obligations under the Revolving Credit Facility, Hedging Obligations or other Indebtedness which is 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 on the Issue Date pursuant to the Intercreditor Agreement). This shall be in addition to the Security Agent's and the Trustee's entitlement to request and rely upon an Officer's Certificate and Opinion of Counsel, each certifying that such release complies with the Indenture.

There can be no assurance that the Notes will ever achieve Investment Grade Status. There are also circumstances other than the achievement of Investment Grade Status that would result in a release of the Security Interests in respect of the Collateral. See "*Security—Release of Liens*" and "*IPO Debt Pushdown.*"

Limitation on Activities of the Issuer

Prior to the Post-Completion Merger, the Issuer shall not carry on any business or own any material assets other than:

(1) the ownership of shares in the Target;

(2) making of any investment in the Target Group;

(3) the provision of services substantially similar to those provided to the Target Group prior to the Acquisition Closing Date by the Target and the provision of other headquarters services, administrative services (including treasury services, cash-pooling arrangements and group chief financial officer functions), legal, accounting, marketing, procurement and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries (including being actively involved in the management decisions of its Subsidiaries, such as (i) issuing general strategic guidelines, (ii) providing guidance on extraordinary transactions such as mergers, acquisitions, disposals of assets and investments and (iii) monitoring the performance of its Subsidiaries) and the ownership of assets and the incurrence of liabilities necessary to provide such services;

(4) (a) Incurring Indebtedness, Guarantees of Indebtedness and Subordinated Shareholder Funding (including, in each case, activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness or Subordinated Shareholder Funding, to the extent such activities are otherwise permissible under the Indenture); and (b) the granting of Liens permitted under the covenant described under "*Limitation on Liens*";

(5) the exercise of rights and the performance of obligations arising under (i) the Indenture and the Intercreditor Agreement, (ii) any Indebtedness incurred by it and any agreement pursuant to which Refinancing Indebtedness in relation to such Indebtedness is Incurred by the Issuer or the Restricted Subsidiaries and other ancillary documents or instruments related thereto, including liabilities under any "parallel debt" obligations under the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement, (iii) any security document in respect of Permitted Liens or Permitted Collateral Liens, or any Liens Incurred in accordance with the covenant described under "*Limitation on Liens*" or any other agreement existing on the Acquisition Closing Date to which it is a party and (iv) the Shortfall Agreement;

(6) the ownership of (i) cash and Cash Equivalents, (ii) other property, in each case to the extent contributed or distributed substantially concurrently to a Parent to the extent such contribution or distribution is not prohibited by the terms of the Indenture and (iii) assets owned by it on the Acquisition Closing Date;

(7) paying dividends, making distributions and other payments, including the servicing, purchase, redemption or retirement of Subordinated Shareholder Funding, to direct shareholders (a) to the extent funded out of the proceeds received from the Issuer pursuant to a payment made by it in accordance with the terms of the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, and (b) with the

proceeds of any Indebtedness Incurred pursuant to the covenant described under "*Limitation on Indebtedness*", and, in each case under this clause (7), to the extent permitted or not prohibited under the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and the relevant Security Documents;

(8) activities directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence;

(9) activities pursuant to or in connection with the Transactions or the Post-Completion Merger;

(10) (a) the listing of its Capital Stock, the Capital Stock of a Parent or the Capital Stock of any Restricted Subsidiary and the issuance, offering and sale of its Capital Stock, the Capital Stock of a Parent or the Capital Stock of any Restricted Subsidiary (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (b) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of the Issuer or its Subsidiaries, or to contribute to the common equity of its Subsidiaries, to the extent permitted or not prohibited by the Indenture, the Revolving Credit Facility Agreement and Intercreditor Agreement; and (c) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not prohibited by the Indenture, the Revolving Credit Facility Agreement and Intercreditor Agreement and the relevant Security Documents, in each case, in relation to transactions authorized or not prohibited by the Indenture, the Revolving Credit Facility Agreement and Intercreditor Agreement;

(11) conducting activities directly related or reasonably incidental to any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by any IPO Entity;

(12) making investments in any Indebtedness not prohibited under the Indenture;

(13) any liabilities or obligations in connection with any employee or participation scheme operated by the Issuer, a Restricted Subsidiary or a Parent, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of the Issuer, any Restricted Subsidiary or a Parent (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose);

(14) the sale, conveyance, transfer, lease or disposition (i) of all or substantially all of its assets, but only to the extent (a) that such sale, conveyance, transfer, lease or disposition would be permitted by the covenant described under "*Merger and Consolidation—The Issuer*" and (b) any resulting release and retaking of any Security Interest with respect to the Collateral in connection therewith not prohibited under "*Impairment of Security Interest*" or (ii) of its assets other than the shares of the Target; and

(15) other activities not specifically enumerated above that are de minimis in nature.

Limitation on Activities of the Third Party Security Provider

The Third Party Security Provider shall not trade, carry on any business, own any assets or incur any liabilities other than:

(1) the ownership of shares of the Issuer and any finance subsidiary company of Indebtedness (*provided* that such finance subsidiary shall not trade, carry on any business, own any assets or incur any liabilities other than those which the Third Party Security Provider is permitted under this covenant);

(2) making an investment in the Issuer in the form of Subordinated Shareholder Funding, loans of Indebtedness to the Issuer or purchases of Capital Stock of the Issuer or otherwise contributed to the equity of the Issuer;

(3) the provision of holding company services substantially similar to those provided to the Target Group prior to the Closing Date by the Target and the provision of other headquarters services, administrative services (including treasury services, cash-pooling arrangements and group chief financial officer functions), legal, accounting, marketing, procurement and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries (including being actively involved in the management decisions of its Subsidiaries, such as (i) issuing general strategic guidelines, (ii) providing guidance on extraordinary transactions such as mergers, acquisitions, disposals of assets and investments and (iii) monitoring the performance of its Subsidiaries) and the ownership of assets and the incurrence of liabilities necessary to provide such services;

(4) (a) Incurring Indebtedness, Guarantees of Indebtedness and subordinated shareholder funding (including, in each case, activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness or subordinated shareholder funding, to the extent such activities are otherwise permissible under the Indenture); and (b) the granting of Liens permitted under the covenant described under "*Limitation on Liens*";

(5) the exercise of rights and the performance of obligations under: (i) the Indenture and the Intercreditor Agreement, (ii) any Indebtedness incurred by it and other ancillary documents or instruments related thereto, including liabilities under any "parallel debt" obligations under the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement, (iii) any security document in respect of Permitted Liens or Permitted Collateral Liens, or any Liens Incurred in accordance with the covenant described under "*Limitation on Liens*" or any other agreement existing on the Acquisition Closing Date to which it is a party and (iv) the Shortfall Agreement;

(6) the ownership of (i) cash and Cash Equivalents, (ii) other property, in each case to the extent contributed substantially concurrently to a Parent to the extent such contribution is not otherwise prohibited by the terms of this covenant and (iii) assets owned by it on the Acquisition Closing Date;

(7) paying dividends, making distributions and other payments, including the servicing, purchase, redemption or retirement of subordinated shareholder funding, to direct shareholders to the extent funded out of the proceeds received from the Issuer pursuant to a payment made by it in accordance with the terms of the Indenture and the Intercreditor Agreement, as permitted or not prohibited under the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any security documents to which the Third Party Security Provider is a party for the pledge of assets permitted to be secured under the Indenture, the Revolving Credit Facility Agreement or the Intercreditor Agreement;

(8) activities directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence;

(9) activities pursuant to or in connection with the Transactions or the Post-Completion Merger;

(10) (a) the listing of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary and the issuance, offering and sale of its Capital Stock, the Capital Stock of the Issuer or the Capital Stock of any Restricted Subsidiary (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (b) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of the Third Party Security Provider or the Issuer, or to contribute to the common equity of the Issuer, to the extent permitted or not prohibited by the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement; and (c) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not prohibited by the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement and the relevant Security Documents, in each case, in relation to transactions authorized or not prohibited by the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement;

(11) conducting activities directly related or reasonably incidental to any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by any IPO Entity;

(12) making investments in any Indebtedness not otherwise prohibited by this covenant;

(13) any liabilities or obligations in connection with any employee or participation scheme operated by the Third Party Security Provider, including any management equity plan, incentive plan or other similar scheme operated by, for the benefit of, on behalf of or in respect of the Third Party Security Provider, the Issuer or any Restricted Subsidiary (and/or any current or past employees, directors or members of management thereof and any related corporate entity established for such purpose);

(14) the sale, conveyance, transfer, lease or disposition (i) of all or substantially all of its assets, but only to the extent (a) that such sale, conveyance, transfer, lease or disposition would be permitted by the provisions described under "*Change of Control*" and the covenant set forth under "*Merger and Consolidation—The Issuer*", substituting the Third Party Security Provider for the Issuer, *mutatis mutandis*, and (b) any resulting release and retaking of any Security Interest with respect to the Collateral in connection therewith which is prohibited under "*Impairment of Security Interest*" or (ii) of its assets other than the shares of the Issuer or

any Indebtedness owed by the Issuer to the Third Party Security Provider (except as otherwise permitted under this covenant); and

(15) other activities not specifically enumerated above that are de minimis in nature;

Financial Calculations in Respect of Transactions

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 Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, consolidation, amalgamation or other business combination, any 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* provisions set forth in the definition of Fixed Charge Coverage Ratio and Consolidated Leverage Ratio 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 not for purposes of any subsequent availability of any basket or ratio), 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, Consolidated EBITDA of the Issuer or that arising 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.

Events of Default

Each of the following is an "*Event of Default*" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(3) failure by the Issuer or, solely in connection with the covenants described under "*Certain Covenants—Limitation on Liens,*" "*Certain Covenants—Impairment of Security Interest,*" and "*Certain Covenants—Limitation on Activities of the Third Party Security Provider*," the Third Party Security Provider, to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with their respective other agreements contained in the Indenture;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €40 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Third Party Security Provider, the Issuer, a Significant Subsidiary or a group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €40 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(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) 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 Third Party Security Provider, the Issuer or another Restricted Subsidiary that has granted such Security Interest shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for ten days; and

(8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for ten days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee (subject to certain conditions) at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder (which may only be waived with the consent of Holders holding 75% of the aggregate principal amount of the Notes outstanding under the Indenture)) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if 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 and, if requested, the Trustee has received, customary indemnification and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee indemnity and/or security satisfactory to it against 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 such indemnity and/or security; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60 day period.

Subject to certain restrictions, the Holders of not less than a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines 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 customary indemnification and/or security satisfactory to the Trustee against all losses, liabilities and expenses (including legal fees) caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year (beginning with the first fiscal year ending after the Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed under "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such provision or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions and to the provisions described in "*Meetings of Holders of Notes*," the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived under the Indenture with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes)*; provided* that if any amendment, waiver or other modification will only affect one series of the Notes, or only the Fixed Rate Notes or only the Floating Rate Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, an amendment or waiver under the Indenture may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the contractual right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts on, if any, such Holder's Notes on or after the due dates therefor;

(7) make any change in the provision of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the Security Agent may under the Indenture amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the provision described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees,*" to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) 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 the Security Agent to any Notes Document;

(9) 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, 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 provisions described under "*Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*Certain Covenants—Impairment of Security Interest*" and "*—Additional Intercreditor Agreements.*"

In formulating its decision on such matters, the Trustee shall be entitled to receive and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by subsections (3) and (6) in respect of providing for a Notes Guarantee, it shall only be necessary for the supplemental indenture or Notes Guarantee of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

The Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

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 controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the

Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision, the guarantee provision (other than in respect of the Issuer) and the security default provision described under "*Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation*"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "*Events of Default.*"

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro denominated European Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States, subject to customary assumptions and exclusions, to the effect that Holders of the relevant 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 in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law after the date hereof);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or euro denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to both the Paying Agent and the Trustee under the Indenture to apply the deposited money toward the payment of such Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with as to such Notes, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Meetings of Holders

All meetings of Holders of each series of the Notes will be held in accordance with applicable Italian laws and regulation. 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 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 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 (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, the Guarantee and the Security Interests—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.*" Any resolution duly passed at any such meeting shall be binding on all the Holders, 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 "*—Meetings of Holders*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers.*" As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meetings of Holders*" must also comply with the other provisions described under "*—Amendments and Waivers.*"

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 U.S. Bank Trustees Limited, 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 U.S. Bank Trustees Limited, as Security Representative.

Moreover, a representative of the holders of the Notes (*rappresentante comune*) (the "*Noteholders' Representative*") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to 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. 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 Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Parent, or any Subsidiaries or Affiliates of the Issuer, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

U.S. Bank Trustees Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, 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. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protection and indemnification.

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 or any Agent will be permitted to engage in other transactions with the Issuer, its Subsidiaries and Affiliates.

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 actual knowledge of 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 or expenses (including legal fees) Incurred without gross negligence, willful default or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

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*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in

Luxembourg (which is expected to be the Luxembourger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made*; provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten 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 six years after the applicable due date for payment of interest.

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 under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, 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 under any Note (as applicable), the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee 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 (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro denominated restriction herein, the euro equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes Guarantees and the Notes, the Issuer in the Indenture and each Guarantor in its respective supplemental indenture will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall 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. The Security Documents will be governed by the laws of the location of the relevant asset that is part of the Collateral.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition by the Issuer of the entire issued and outstanding share capital of the Target pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the sale and purchase agreement dated as of February 5, 2020, as subsequently amended and supplemented on May 1, 2020, and as may be further amended and supplemented from time to time.

"*Acquisition Closing Date*" means the date on which the Acquisition is consummated.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Indenture.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares or Capital Stock of the Issuer or a Subsidiary of the Issuer (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the Issuer or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction*; provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer will constitute a default under "*Certain Covenants—Merger and Consolidation*" unless the conditions described therein are met. Notwithstanding the preceding provisions of this definition, the following items (the "*Permitted Dispositions*") shall be deemed not to be Asset Dispositions:

(1) a disposition by the Issuer to a Restricted Subsidiary or by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer or the Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging or other derivative instruments, transactions or arrangements;

(5) transactions permitted under "*Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors of the Issuer) of no more than the greater of €19 million and 10% of Consolidated EBITDA;

(8) (a) the making of any Restricted Payment, Permitted Payment or Permitted Investment or (b) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited pursuant to the conditions described above under "*Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or a Restricted Subsidiary;

(11) the licensing or sub licensing of intellectual property or other general intangibles and licenses, sub licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with (i) any Qualified Receivables Financing, (ii) any Settlement Obligations or (iii) any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person*; provided*, however, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors of the Issuer, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock or redeemable Capital Stock that would not be prohibited under "*Certain Covenants—Limitation on Indebtedness*";

(20) any disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements;

(21) any disposition with respect to property built, owned, improved or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to Sale and Leaseback Transactions, asset securitizations and other similar financings permitted by the Indenture;

(22) [*Reserved*];

(23) the unwinding of any Cash Management Services or Hedging Obligations; and

(24) dispositions in connection with any Settlement and dispositions of Settlement Assets.

In the event that a transaction (or any portion thereof) meets the criteria of a Permitted Disposition and would also be a Permitted Investment or an Investment permitted under "*Certain Covenants—Limitation on Restricted Payments,*" the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as a Permitted Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "*Certain Covenants—Limitation on Restricted Payments.*"

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or one or more Restricted Subsidiaries is the legal and beneficial owner of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means with respect to (1) the Issuer, its board of directors; (2) any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (3) any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (4) any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval or ratification of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved or ratified, as the case may be, by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval or ratification is taken as part of a formal board meeting or as a formal board approval or ratification).

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, New York or London, United Kingdom are authorized or required by law to close.

"*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.

"*Capitalized Lease Obligations*" 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 any equivalent measure under U.S. GAAP), 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) (or any equivalent measure under U.S. GAAP). 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.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) 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 or by any bank or trust company (a) whose commercial paper is rated at least "*A 2*" or the equivalent thereof (or has an equivalent long term rating) by S&P or at least "*P 2*" or the equivalent thereof (or has an equivalent long term rating) by Moody's or at least "*F2*" 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 €250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "*A 2*" or the equivalent thereof by S&P, at least "*P 2*" or the equivalent thereof by Moody's or at least "*F2*" 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 any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United States of America, any state 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 one of the two highest rating categories obtainable 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;

(6) Indebtedness or preferred stock issued by Persons with a rating of "*BBB—*" or higher from S&P or "*Baa3*" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of twelve months or less from the date of acquisition;

(7) 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); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Cash Management Services*" means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"*Change of Control*" means 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 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 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 to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of 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, société anonyme, as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee, including the Completion Collateral, the Post-Completion Collateral, the Post-Merger Collateral and, to the extent granted, the Target Collateral.

"*Commodity Hedging Agreement*" means, with respect to any Person, any commodity price protection agreement, commodity price future agreement, commodity price option agreement, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity price option agreement or similar agreement or arrangements to which such Person is party or a beneficiary providing for the transfer or mitigation of commodity price risks either generally or under specific contingencies.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, (subject to the Election Option) lease obligations, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Subsidiaries that are Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"*Consolidated EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such Person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; plus

(b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "*Consolidated Interest Expense*" pursuant to clauses (i) through (iii), in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; plus

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; plus

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), 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 Revolving Credit Facility, the offering of any other debt securities, any other Credit Facility and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Revolving Credit Facility, the Intercreditor Agreement, any Security Documents, Receivables Financings, Settlement Obligations, any other Credit Facility, 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; plus

(e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post retirement employment benefit plans (including any settlement of pension liabilities), systems development and establishment costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; plus

(f) any other non-cash charges, write downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting*; provided* that if any such non-cash charge, write down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non cash item of income to the extent it represents a receipt of cash in any future period); plus

(g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under "*Certain Covenants—Limitation on Affiliate Transactions*"; plus

(h) the "*run rate*" cost savings, operating expense reductions, restructuring charges and expenses and synergies that are expected (in good faith) to be realized as a result of actions taken or expected to be taken within 36 months of the date of any acquisition (including the Transactions), disposition, divestiture, restructuring or the implementation of a cost savings or other similar initiative or related to information and technology system establishment, modernization or modification, as applicable (calculated on a *pro forma* basis as though such cost savings, operating expense reductions, restructuring charges and expenses and synergies had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "*Fixed Charge Coverage Ratio*")*; provided* that no cost savings, operating expense reductions, restructuring charges and expenses or synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period; plus

(i) the amount of loss or discount on sale of Receivables Assets, Settlement Receivables or related assets sold to a Receivables Subsidiary in connection with a Qualified Receivables Financing or Settlement Obligations; plus

(j) 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 second paragraph under "*Certain Covenants—Limitation on Restricted Payments*"; plus

(k) 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

(l) any net loss included in the Consolidated Net Income attributable to non-controlling interests; plus

(m) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; plus

(n) net realized losses from Hedging Obligations or embedded derivatives; plus

(o) 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

(p) with respect to any joint venture, an amount equal to the proportion of those items described in clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; plus

(q) earn out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; 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) the amount of expenses relating to payments made to option holders of the Issuer or any Parent in connection with, or as a result of, any distribution being made to equityholders of such Person or its Parents, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; plus

(t) to the extent not already otherwise included herein, adjustments and add backs corresponding to those made in calculating "*Adjusted EBITDA*" for the twelve months ended March 31, 2020, included in the offering memorandum; plus

(u) earn out obligations Incurred in connection with any acquisition or other Investment permitted under the Indenture and paid or accrued during such period; plus

(v) losses, charges and expenses related to the pre-opening and opening of new facilities, and start up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

For purposes of calculating Consolidated EBITDA for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer measured for the period of the Relevant Testing Period, in each case with such *pro forma* adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the *pro forma* adjustments set forth in the definition of "*Fixed Charge Coverage Ratio.*"

"*Consolidated Interest Expense*" means, for any Person for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of such Person and its Restricted Subsidiaries, whether paid or accrued, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (as applicable), plus (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses) and any other consideration given by the Issuer or the Restricted Subsidiaries during the relevant period, and relating to that period, in connection with any acceptance credit, bill discounting debt factoring or other similar arrangement;

(3) non cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark to market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of such Person and all Preferred Stock of any Restricted Subsidiary of such Person, to the extent held by Persons other than such Person or a Restricted Subsidiary of such Person, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by the Board of Directors of the Issuer;

(6) interest capitalized in the relevant period and not recorded as interest expense in such period; and

(7) cash interest actually paid by such Person under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) 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 Issue Date, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push down accounting under IFRS, (iv) 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 (v) interest expense in respect of Settlement Obligations; *provided* that for purposes of this definition, interest in respect of a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of such Person to be the rate of interest implicit in such lease in accordance with IFRS.

"*Consolidated Leverage*" means, as of any date of determination, without double counting, the sum of (x) the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer on a consolidated basis (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Issuer) and Indebtedness Incurred pursuant to clause (4)(c) of the second paragraph of the covenant described under "*Limitation on Indebtedness*" and any Refinancing Indebtedness in respect thereof), less (z) the sum (which shall in no case be less than zero) of the aggregate amount of cash and Cash Equivalents that would be stated on the balance sheet of the Issuer on a consolidated basis as of such date in accordance with IFRS excluding for any determination or calculation occurring on or prior to the first anniversary of the Issue Date an amount of cash equal to €49.1 million.

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the Consolidated EBITDA of the Issuer for the Relevant Testing Period*; 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 Indebtedness*" (other than Indebtedness Incurred pursuant to clauses 5(II) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*") 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 Indebtedness*" (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*").

"*Consolidated Net Income*" means, with respect to any Person for any period, the net income (loss) of such Person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends*; provided*, however, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such Person under the equity method of accounting), except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below)*; provided* that, for the purposes of clause (c) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of "*Permitted Investments*";

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" any net income (loss) of any Restricted Subsidiary (other than the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Notes or the Indenture and (c) restrictions specified in clause (11)(b) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted

Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);

(4) any extraordinary, one off, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure, consolidation or disruption of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) the cumulative effect of a change in law, regulation or accounting principles at any time following the Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Acquisition Closing Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including in connection with the Transactions), or the amortization or write off of any amounts thereof (including any write off of in process research and development);

(13) any impairment charge, write off or write down, including impairment charges, write offs or write downs related to intangible assets, long lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(16) any costs associated with the Transactions;

(17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(18) any (i) payments to third parties in respect of research and development, including amounts paid upon signing, success, completion and other milestones and other progress payments, to the extent expensed and (ii) effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);

(19) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and

(20) the impact of capitalized, accrued or accreting or pay in kind interest or principal, including in respect of Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"*Consolidated Senior Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness and excluding the Reserved Indebtedness Amount that, upon Incurrence, would not constitute Senior Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease (subject, as applicable, to the Election Option), dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Revolving Credit Facility Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, performance guarantees, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facility*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement or arrangement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors of the Issuer) of non-cash consideration received by the Issuer or one or more Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non Cash Consideration. A particular item of Designated Non Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the conditions described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "*Designated Preference Shares*" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) and (c)(iii) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments.*"

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption would not be prohibited under "*Certain Covenants—Limitation on Restricted Payments.*" 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, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer or a Parent HoldCo (other than Disqualified Stock and other than offerings registered on Form S 8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, in each case the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer or any of the Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts 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 accounts 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.

"*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 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.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fitch*" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person to the Fixed Charges of such Person for the Relevant Testing Period. In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, repays, repurchases redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period*; provided*, however, that the *pro forma* calculation shall not give effect to: (i) any Fixed Charges attributable to Indebtedness Incurred on the

Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph thereof) or (ii) Fixed Charges attributable to any Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described under the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than Fixed Charges attributable to Indebtedness discharged on such Fixed Charge Coverage Ratio Calculation Date using proceeds of Indebtedness Incurred pursuant to clause (5)(II) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*").

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the Relevant Testing Period or subsequent to the Relevant Testing Period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the Relevant Testing Period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed operation had occurred at the beginning of the Relevant Testing Period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (and may include cost savings and synergies). 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 Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire Relevant Testing Period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the Relevant Testing Period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Disqualified Stock or Preferred Stock payable to the Issuer or a Restricted Subsidiary; plus

(3) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been incurred as of the date of its classification as a Reserved Indebtedness Amount.

"*Funding Loan*" means the loan to be made by the Issuer to the Target on or about the Acquisition Closing Date with a portion of the proceeds of the Notes, as described in this Offering Memorandum under "*Summary—The Transactions*."

"*Group*" means the Issuer and its Subsidiaries from time to time.

"*Guarantee*" means any guarantee (including any Notes Guarantee) or obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep well, to

purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, however, that the term "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term "*Guarantee*" used as a verb has a corresponding meaning.

"*Guarantors*" means any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are required to comply as in effect on the Issue Date, or, solely, with respect to the covenant described under the heading "*Certain Covenants—Reports,*" as in effect from time to time; *provided* that:

(1) except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS (or, as applicable, U.S. GAAP) will be computed in accordance with IFRS as in effect on the Issue Date (or, as applicable, U.S. GAAP as in effect at the date specified by the Issuer in its election to adopt U.S. GAAP in accordance with paragraph (3) below);

(2) at any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS (or, as applicable, U.S. GAAP) in effect on or prior to the date of such election;

(3) at any time after the Issue Date, the Issuer may elect to apply U.S. GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean U.S. GAAP (except as otherwise provided in the Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; *provided* that any calculation or determination in the Indenture that requires the application of IFRS for periods that include fiscal quarters ended prior to the Issuer's election to apply U.S. GAAP will remain as previously calculated or determined in accordance with IFRS (*provided* that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made pursuant to U.S. GAAP);

(4) 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) (or, in either case, the equivalent measure under U.S. GAAP) to the making of such determination or calculation (*provided* that for the avoidance of doubt, in connection with any determination hereunder which is based upon the calculation of more than one component, including any determination in respect of the Fixed Charge Coverage Ratio, Consolidated Senior Secured Leverage Ratio and Consolidated Leverage Ratio, all such components shall be calculated on a consistent basis, applying the same accounting standard); and (b) any adverse impact (from the perspective of the Issuer) directly or indirectly relating to or resulting from the implementation of IFRS 15 (Revenue from Contracts with Customers) and any successor standard thereto (or any equivalent measure under U.S. GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture.

"*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 on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); *provided, however*, that Disqualified Stock of the Issuer or Preferred Stock of a Restricted Subsidiary shall not constitute Indebtedness for purposes of the definition of "*Consolidated Leverage*";

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person*; provided*, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS.

The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) Cash Management Services;

(iii) any lease, concession or license of property (or Guarantee thereof) which would, in accordance with the Election Option if the Issuer elects to apply IAS 17 (Leases), be considered an operating lease or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Acquisition Closing Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, 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;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Receivables Financings;

(viii) Indebtedness of any Parent appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(ix) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

(x) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*Certain Covenants—Merger and Consolidation*";

(xi) Subordinated Shareholder Funding;

(xii) trade payables and accrued commissions owed to banks in the ordinary course of business; and

(xiii) Settlement Obligations.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing*; provided*, however, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investor*" means any funds or limited partnerships managed or advised by Bain Capital Investors, LP, Neuberger Berman or any of their respective Affiliates or direct or indirect Subsidiaries or any trust, fund, company or partnership owned, managed or advised by Bain Capital Investors, LP, Neuberger Berman or any of their respective Affiliates or direct or indirect Subsidiaries or any entity controlled by all or substantially all of the managing directors of such fund or Bain Capital Investors, LP or Neuberger Berman from time to time.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or Restricted Subsidiary or any successor of the Issuer or any Parent or Restricted Subsidiary (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended, restated or otherwise modified or varied from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS*; provided*, however, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or a Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*."

For purposes of the "*Certain Covenants—Limitation on Restricted Payments*" section:

(1) "*Investment*" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or 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) debt securities or debt instruments with a rating of "*BBB-*" or higher from S&P, "*Baa3*" or higher by Moody's or "*BBB-*" or higher 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 Restricted Subsidiaries and the Issuer;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall be achieved when the Notes receive at least two of the following:

(1) a rating of "*BBB-*" or higher from S&P;

(2) a rating of "*Baa3*" or higher from Moody's; or

(3) a rating of "*BBB-*" or higher from Fitch,

or the equivalent of such rating by either such rating organization or, if no rating from S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"*IPO Entity*" has the meaning given to it 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 at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means .

"*Issuer*" means Centurion Bidco S.p.A., a *società per azioni* incorporated under the laws of Italy and any Successor Issuer (including, for the avoidance of doubt, subsequent to the Post-Completion Merger, MergerCo). Following the Post-Completion Merger, any reference in this "*Description of the Notes*" to the Issuer shall be deemed to refer to MergerCo.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment, moving-related or other expenses Incurred in the ordinary course of business and in accordance with past practice;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding the greater of €19 million and 10% of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Issuer or the Issuer's Subsidiaries who invest or commit to invest, directly or indirectly, in the Issuer, another Restricted Subsidiary or a Parent on the Acquisition Closing Date through a management equity program, (ii) persons who are or become members of the management team of the Issuer or the Issuer's Subsidiaries following the Acquisition Closing 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 Parent HoldCo, the Issuer or the Issuer'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 Parent HoldCo, the Issuer or the Issuer's, Subsidiaries for future redistribution to the management team of the Issuer or the Issuer'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 Parent HoldCo, the Issuer or the Issuer'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 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.

"*MergerCo*" means the entity surviving the Post-Completion Merger.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors 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 Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds,*" with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing agreements).

"*Neuberger Berman*" means Neuberger Berman AIFM S.à r.l., to act as the alternative investment fund manager of NB Renaissance Partners S.à r.l. SICA V-RAIF—NBRP Fund III Compartment and other Neuberger Berman alternative investment funds.

"*Non-Guarantor Debt Cap*" means an amount of (i) Indebtedness Incurred pursuant to the first paragraph and clause (12) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness,*" (but only to the extent such Indebtedness is not Incurred under a Credit Facility subject to loss-sharing pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement) which shall not in aggregate exceed the greater of €37 million and 20% of Consolidated EBITDA at any time outstanding.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Escrow Charge, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Notes Guarantee*" means a Guarantee of the Notes by a Guarantor.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "*Officer*" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or a Restricted Subsidiary.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of any Restricted Subsidiary and the Issuer, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by laws or pursuant to written agreements with any such Person to the extent relating to the Issuer or its Restricted Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Restricted Subsidiaries or the Issuer;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses and administrative costs, including (a) professional fees and expenses, regulatory costs and other operational expenses of any Parent related to the ownership or operation of the business of any Restricted Subsidiaries or the Issuer (including in relation to expenses and costs of the Third Party Security Provider, the activities described under "*Certain Covenants—Limitation on Activities of the Issuer*"), (b) costs and expenses with respect to the ownership, directly or indirectly, of any Restricted Subsidiaries or the Issuer by any Parent, (c) any Taxes of any Parent to the extent arising from an investment in the equity interests or equity like interests of such Parent, or shareholder loans extended to or by such Parent, in connection with the Transactions or another investment in any Restricted Subsidiaries or the Issuer, (d) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (e) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of any Restricted Subsidiaries or the Issuer or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed the greater of €14 million and 7.5% of Consolidated EBITDA in any fiscal year (with any amount unused in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year);

(7) any Taxes, to the extent such Taxes are referable to the income of the Issuer or the Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent referable to the income of such Unrestricted Subsidiaries*; provided*, however, that the amount of such payments in any fiscal year do not exceed the amount that the Restricted Subsidiaries and the Issuer would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Restricted Subsidiaries and the Issuer; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness;

 (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

 (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

 (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent HoldCo*" means any Person of which the Issuer at any time is or becomes a Subsidiary, and any holding companies established by any Permitted Holder for the primary purpose of holding its investment in the Issuer or any other Parent HoldCo*; provided* that such Person is the owner, directly or indirectly, of at least a majority of the total voting power of the Voting Stock of the Issuer after giving effect to the Equity Offering relevant to such Person's status as a Parent HoldCo.

"*Pari Passu Indebtedness*" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Notes Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Notes 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 Collateral Liens*" means Liens on the Collateral:

(1) that are described in one or more of clauses (2)(ii), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) 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) the Notes issued on the Issue Date and any related Notes Guarantees;

 (b) Indebtedness, the Incurrence of which would not be prohibited under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*"*; provided* that, in the case of this clause (b), after giving effect to such Incurrence on the date thereof, the Consolidated Senior Secured Leverage Ratio does not exceed 5.0 to 1.0;

 (c) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness,*" 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 on the Issue Date pursuant to the Intercreditor Agreement;

 (d) Indebtedness described under clause (2) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness,*" 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;

 (e) Indebtedness described under clause (5) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*"*; provided* that, in the case of clause (5)(II), if such Liens secured Senior Secured Indebtedness, after giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness on the date thereof, either (A) the Consolidated Senior Secured Leverage Ratio does not exceed 5.0 to 1.0 or (B) the Consolidated Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(f) Indebtedness described under clause (6) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*"*; provided* that Currency Agreements and Interest Rate Agreements entered into with respect to any Indebtedness, the Incurrence of which would not be prohibited under the covenant described under "*Certain Covenants—Limitation on 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 on the Issue Date pursuant to the Intercreditor Agreement;

(g) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11), (12) or (14) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*";

(h) Indebtedness secured on a junior basis to the Notes; and

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f), (h) and this clause (i);

provided further that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) described in paragraph (2) and any Permitted Collateral Liens described in clause (2)(i) of the definition of "*Permitted Liens*" under paragraph (1) 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 (c) and (f) above; 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 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 such Restricted Subsidiary's business.

"*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 whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or a Restricted Subsidiary):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) if such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person as a result of such Investment in such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any Qualified Receivables Financing or Settlement Obligations;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date or, with respect to the Target Group, on the Acquisition Closing Date, in each case after giving *pro forma* effect to the Transactions, and, in each case, any extension, modification, restructuring or renewal of any such Investment*; provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or, with respect to the Target Group, on the Acquisition Closing Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred to the extent they would not be prohibited under "*Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €64 million or 35% of Consolidated EBITDA*; provided* that, if an Investment is made pursuant to this clause in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "*Unrestricted Subsidiary,*" such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens the Incurrence of which would not be prohibited under "*Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4), (6) or (14) the second paragraph of the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*";

(15) Guarantees of Indebtedness of the Issuer or any Restricted Subsidiary, the Incurrence of which would not be prohibited under "*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, the Notes (including any Additional Notes) and any future proceeds loan from the Issuer or a Restricted Subsidiary under an agreement and other Indebtedness of the Issuer or a Restricted Subsidiary not prohibited by the Indenture;

(17) Investments in joint ventures or a Similar Business, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €64 million or 35% of Consolidated EBITDA*; provided* that, if an Investment is made pursuant to this clause (17) in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "*Unrestricted Subsidiary,*" such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(18) Investments in joint ventures or Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €64 million or 35% of Consolidated EBITDA*; provided* that, if an Investment is made pursuant to this clause (18) in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "*Unrestricted Subsidiary,*" such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause; and

(19) any other Investment arising in the ordinary course of business of the Issuer or a Restricted Subsidiary.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under (i) workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or (ii) in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or (iii) as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings*; provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer or the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing (i) Hedging Obligations permitted under the Indenture and relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness or (ii) Cash Management Services;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment,

decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary (a) for the purpose of securing Capitalized Lease Obligations, Purchase Money Obligations or Indebtedness in respect of Sale and Leaseback Transactions, and, in each case, any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness; or (b) securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance, refinance or reimburse amounts used for the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business*; provided* that (x) the aggregate principal amount of Indebtedness secured by such Liens described in this paragraph (b) is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under "*Certain Covenants—Limitation on Indebtedness*" and (y) any such Lien described in this paragraph (b) 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;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, after giving *pro forma* effect to the Transactions, or (b) with respect to the Target and the Target Group, Liens existing on, provided for or required to be granted under written agreements existing on, the Acquisition Closing Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction*; provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture*; provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens in respect of (i) Qualified Receivables Financings or (ii) Settlement Obligations;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set off arrangement entered into in the ordinary course of banking or other trading activities;

(24) 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;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Issuer or any Restricted Subsidiary;

(27) 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;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Notes Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement, (c) 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 and (d) 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;

(29) Liens, provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of €73 million and 40% of Consolidated EBITDA;

(30) Liens on rights under any loan or other instrument lending or contributing the proceeds of Indebtedness Incurred by the Issuer or another Person to one or more Guarantors in favor of the third party creditors in respect of such Indebtedness; and

(31) Settlement Liens.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted 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 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 Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction 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 Board of Directors of 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. For the avoidance of doubt, the Post-Completion Merger and transactions related thereto will be permitted under the Indenture, and will not be required to comply with any of the conditions for a Permitted Reorganization.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Post-Completion Merger*" means the merger of the Issuer with the Target, with MergerCo being the surviving entity, as described under "*Summary—The Transactions*" in this Offering Memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and the Target, following the Acquisition Closing Date.

"*Preferred Stock,*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (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 or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public 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).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary or other Subsidiary, as the case may be, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary or other Subsidiary, as the case may be, are made at fair market value (as determined in good faith by the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors of the Issuer) and may include Standard Securitization Undertakings. The grant of a security interest in any accounts receivable of the Issuer or a Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, Fitch or any other Nationally Recognized Statistical Rating Organization selected by the Issuer as a replacement agency.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*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 the Issuer or 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 Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary, or (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 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 interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations 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 Wholly Owned Subsidiary of the Issuer or a Restricted Subsidiary (or another Person formed for the purposes of engaging in a Qualified Receivables Financing in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary 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 a the Issuer and its Subsidiaries, 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 (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 Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted 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 Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted 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 Restricted Subsidiary 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 shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances,*" "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*Summary—The Transactions—The Refinancing.*"

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness (x) of the Issuer and its Restricted Subsidiaries that is existing on the Issue Date, (y) of the Target and its Restricted

Subsidiaries that is existing on the Acquisition Closing Date and/or (z) Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of a Restricted Subsidiary and Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer or 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 (plus, without duplication, any additional Indebtedness Incurred to pay fees, underwriting discounts, premia, 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 Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or such Notes 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 Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness*; provided* that it is used to refinance the amounts to discharge in full such Credit Facility or other Indebtedness within 180 days of the relevant termination, discharge or repayment.

"*Related Person*" with respect to any Permitted Holder specified in clause (2) of the definition thereof, 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, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(1) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

(5) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*Certain Covenants—Limitation on Restricted Payments.*"

"*Relevant Testing Period*" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on Consolidated EBITDA, Fixed Charge Coverage Ratio, Consolidated Senior Secured Leverage Ratio and/or Consolidated Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to the "*Certain Covenants—Reports*" covenant or, at the option of the Issuer, the most recently completed twelve consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the business of the Issuer and its Restricted Subsidiaries (including the Target Group's business) as of the Acquisition Closing Date or any and all other businesses that in the good faith judgment of the Board of Directors of the Issuer are related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment by the Issuer or a Restricted Subsidiary other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer (other than an Unrestricted Subsidiary).

"*Revolving Credit Facility*" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the agreement governing the Revolving Credit Facility dated , by and among, inter alios, the Issuer as borrower, and BNP Paribas, Italian Branch, as agent, and the Security Agent, as security agent thereunder.

"*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 and Leaseback Transaction*" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*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, as amended.

"*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 any Indebtedness 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 Notes Guarantees.

"*Settlement*" means the transfer of cash or other property with respect to any credit card, charge card, stored value card or debit card charge, check or other instrument, electronic funds transfer, or other type of paper based or electronic payment, transfer or charge transaction for which a Person acts as issuer, acquirer, processor, remitter, funds recipient, funds transmitter or funds receiver in the ordinary course of its business.

"*Settlement Asset*" means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a Person in consideration for a Settlement made or arranged, or to be made or arranged, by such Person or an Affiliate of such Person.

"*Settlement Lien*" means any Lien relating to any Settlement or Settlement Obligations (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

"*Settlement Obligations*" means any short term payment or reimbursement obligation in respect of a Settlement Payment or Settlement Receivable and other financings or liabilities due to banks or customers, in each case of the type incurred in the ordinary course of business by the Issuer and its Subsidiaries, including under any facility in respect thereof.

"*Settlement Payment*" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

"*Settlement Receivable*" means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a Person in consideration for and in the amount of a Settlement made or arranged, or to be made or arranged, by such Person.

"*Significant Subsidiary*" means any Restricted Subsidiary of the Issuer that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and the Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and the Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates (including the Target Group) on the Acquisition Closing Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any of its Subsidiaries which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including (to the extent applicable) 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 payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*Change of Control*" and the conditions under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock,*" to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means (a) any Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes and (b) any Indebtedness of a Guarantor that is expressly subordinated in right of payment to such Guarantor's Notes Guarantee.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding*; provided*, 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 Issue 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 shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Target*" means Engineering Ingegneria Informatica S.p.A., established as a *società per azioni* under the laws of Italy.

"*Target Group*" means the Target and its Subsidiaries.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority and "Tax" will be construed accordingly.

"*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 subclause (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 the Issuer or a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "*P 2*" (or higher) according to Moody's or "*A 2*" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one 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 Cooperation 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.

"*Third Party Security Provider*" means Centurion Newco S.p.A. or any of its successors or assigns.

"*Transaction Expenses*" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions (including the Post-Completion Merger), including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*Summary—The Transactions.*"

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors 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; 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.*"

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary*; provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result immediately thereafter therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Whitewash Procedure*" means the "whitewash procedure" under Article 2358 of the Italian Civil Code.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). The Notes sold outside the United States in reliance on Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes"). On the Issue Date, the Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons who have accounts with Euroclear and/or Clearstream, or persons who hold interests through such participants. 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 depositories. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Book-Entry Interests will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit a participant's account on their respective book-entry registration and transfer systems with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary of Euroclear and/or Clearstream (or its respective nominee) will be considered the sole holders of the Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Guarantors, the Initial Purchasers, the Registrar, the Paying Agent, the Transfer Agent, the Trustee 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.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive registered Notes in certified form (the "Definitive Registered Notes") only in the following circumstances:

(a) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(b) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their 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 and not only to the owner who made the initial request.

In such an event, the Registrar 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 (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 as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar, and any of their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of fifteen calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. We are also not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

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 Trustee or the Registrar or at the office of the Transfer Agent, we will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee, 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. We, the Registrar and/or the Trustee may charge for expenses in 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, we in our 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 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 "*Notice to Investors*."

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 distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or 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 in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest, additional interest and Additional Amounts, if any) to the Paying Agent. In turn, the Paying Agent will make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective 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, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear and Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

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. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

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 interest in such notes through Euroclear and/or Clearstream in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the 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 the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of such Notes, reserves the right to exchange the Global Notes for Definitive Registered Notes in certified form, and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to Investors."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note upon receipt by the Trustee or the Transfer Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available) under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon receipt by the Trustee or the Transfer Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interests for a Rule 144A 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.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of the Notes—Transfer and Exchange" and, if required, only if the transferor first delivers to the Trustee and the Registrar 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. See "*Notice to Investors*."

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 the 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 the 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 retains such a Book-Entry Interest.

Pledges

Because Euroclear and Clearstream can 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 Book-Entry Interest to pledge such interest to persons or entities who or 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 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.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

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 interface with domestic securities markets. 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 and 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 and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can 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 definitive certificate for that interest. 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 person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

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, 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 Guarantors, the Initial Purchasers, the Trustee, the Paying Agent or the Transfer Agent or the Registrar, or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds 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 on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and 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 the Notes through Euroclear or Clearstream on days when those systems are open for business.

CERTAIN TAXATION CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, Italy or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to Italy and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding Italy and United States laws and practices 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 Issuer 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

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:

(a) the Notes are issued by, *inter alia*, joint stock corporations, whose shares are listed on a regulated market or on a multilateral trading platform of a member state of the EU or of a state that is party to the European Economic Area Agreement (each an "EEA State") and is included in the list of states allowing an adequate exchange of information with Italian tax authorities, as indicated in the Italian Ministerial Decree of September 4, 1996, as subsequently amended and supplemented or in any other future decrees issued pursuant to Article 11 par. 4 (c) of Decree No. 239 (the "White List States"); or

(b) the Notes are listed on a qualifying regulated market or on a multilateral trading platform of member state of the EU or of an EEA State included in the list of White List States; or

(c) the Notes are held by qualified investors as defined under Article 100 of the Italian Legislative Decree No. 58 of 28 February 1998.

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 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 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 tax.

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 tax and may be deducted from the income tax 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 under Italian tax law.

Pursuant to Decree No. 239, the 26% *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("*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 of Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Payments of Interest in respect of the 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;

(d) 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

(e) Italian resident individuals holding the Notes in connection with an entrepreneurial activity or Italian resident individuals 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 (if the holder is an institutional investor, the holder itself is deemed to be the beneficial owner); 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 or foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding the 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 investment funds, SICAVs and SICAFs is not subject to the *imposta sostitutiva*, but is included in the aggregate income of the Italian investment funds, SICAVs and SICAFs. The Italian 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 (the "Collective Investment Fund Substitute Tax").

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by Article 17 of Decree No. 252) 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 ("Finance Act 2017"), as subsequently amended and supplemented.

Where a holders of the Notes is an Italian resident real estate investment fund or a SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the Italian real estate investment fund or the SICAF. The income of the Italian real estate investment fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian Resident Holders of the Notes

Pursuant to Decree No. 239, payments of Interest in respect of the Notes issued by the Issuer falling within the definitions set out in "*—Italian Resident Holders of the Notes*" above 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, in order to benefit from the exemption from *imposta sostitutiva*, are complied with in due time.

The 26% *imposta sostitutiva* may generally be reduced to 10% or to zero under certain applicable double tax treaties entered into by Italy, if more favorable, subject to timely filing of required documentation provided by 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 an institutional investor, the holder itself is deemed to be the beneficial owner);

(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, 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 holders 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 a non-resident holders 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 (i) an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected, (ii) a non-business partnership, (iii) a non-business private or public entity 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 under Italian tax law.

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 and the holders of the Notes remains anonymous.

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 capital gain realized on 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 Italian investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the Italian investment funds, SICAVs or SICAFs accrued at the end of each tax year. The Italian investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a holders of the Notes that is an Italian pension fund (subject to the regime provided for by Article 17 of Decree No. 252) and the Notes are deposited with an Italian resident intermediary, 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% 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, capital gains on 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 Finance Act 2017, as subsequently amended.

Where a holders of the Notes is an Italian real estate investment fund or a SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, 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 SICAF. The income of the Italian real estate investment fund or the Italian SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

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 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 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, whether or not subject to tax, 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 the 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 the 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 the 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. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

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, effective from November 29, 2006, and Italian Law No. 296 of December 27, 2006, 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.

Moreover, an anti-avoidance rule is provided for by Italian Law No. 383 of October, 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

With respect to the Notes listed on a regulated market, 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.

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 by Article 1 par. 581 of Italian Law No. 147 of December 27, 2013, 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, 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. Stamp duty will apply on the Notes, both to Italian resident holder of the Notes and to non-Italian resident holders of the Notes, to the extent that the Notes are held with an Italian based financial intermediary.

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 on a *pro rata* basis.

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 by Article 1 par. 582 of Italian Law No. 147 of December 27, 2013, and Article 9 of Italian Law No. 161 of October 30, 2014, Italian resident individuals, non-business entities and non-business partnerships resident for tax purposes in Italy, which hold financial products—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. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the 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 by Italian Law No. 97 of August 6, 2013 and subsequently amended by Italian Law No. 50 of March 28, 2014 and Italian Law No. 225 of December 1, 2016, 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 the 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.

OECD Common Reporting Standards

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in 2017.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("Law 95/2015"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. Holder, except for the discussions below under "*—Foreign Account Tax Compliance*," and does not address 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 tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect which could significantly affect the U.S. federal tax consequences described below. No rulings from the U.S. Internal Revenue Service have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation. A different treatment than that discussed below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes.

This discussion is general in nature and does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of such U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income, the alternative minimum tax, or the base erosion and anti-abuse tax under section 59A of the Code, or to holders subject to special treatment under U.S.

federal income tax rules, such as banks, certain financial institutions, U.S. expatriates, insurance companies, individual retirement and other tax-deferred accounts, 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, partnerships, S corporations, or other pass through entities and investors in such entities, entities covered by the anti-inversion rules, persons that actually or constructively own more than 10% of our voting stock, 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" (as defined in section 451 of the Code), persons subject to "mark to market" accounting, and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. 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 investors 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 (generally, property held for investment) within the meaning of section 1221 of the Code.

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 the United States 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 U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity or arrangement treated as a partnership (or other pass through entity) for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner or member in such partnership (or other pass through entity) generally will depend upon the status of the partner or member and the activities of the partner or member and the partnership (or other pass through entity). A partnership (or other pass through entity) considering an investment in the Notes, and its partners or members, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. 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.

Post-Completion Merger

If the conditions for the Post-Completion Merger are met, it is expected that the Issuer will merge with the Target, with MergerCo being the surviving entity. MergerCo, as the surviving entity, will assume the obligations of the Issuer under the Notes. Although the matter is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. If this position is respected, a U.S. Holder would not recognize any income, gain or loss in connection with such transactions and would have the same adjusted tax basis in the Notes as the U.S. Holder had in the original Notes exchanged therefor. Moreover, the holding period for the Notes would generally include the holding period for the original Notes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Post-Completion Merger and the assumption of the obligations under the Notes by MergerCo as resulting in a taxable exchange of the Notes for "new" Notes for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange (although any such loss could be disallowed) and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Post-Completion Merger is less than the principal amount of such Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with OID, in which case the U.S. federal income tax consequences of the ownership and disposition of the Notes may be different than what is described below.

U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Post-Completion Merger.

Effect of IPO Pushdown

In the event that the Issuer of the Notes changes as a result of the provisions described under "Description of the Notes—IPO Pushdown," such change in the Issuer could result in a taxable exchange of the Notes for "new" Notes for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange (although any such loss could be disallowed) and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the IPO Pushdown is less than the principal amount of such Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with OID, in which case the U.S. federal income tax consequences of the ownership and disposition of the Notes may be different than what is described below.

U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the IPO Pushdown.

Additional Payments

In certain circumstances (see "*Description of the Notes—Change of Control*," "*Description of the Notes—Optional Redemption*," "*Description of the Notes—Redemption for Taxation Reasons*" and "*Description of the Notes—Withholding Taxes*") we may be obligated or elect to pay amounts in excess of stated interest or principal on the Notes. If any such payment is treated as a contingent payment, subject to certain exceptions, the Notes may be treated as contingent payment debt instruments, in which case the timing and amount of income inclusions and the character of income recognized may be different from the consequences discussed herein. Although the issue is not free from doubt, we intend to take the position that the possibility of such additional amounts being payable on the Notes is a remote or incidental contingency within the meaning of applicable Treasury regulations as of the date hereof, and thus does not result in the Notes being treated as contingent payment debt instruments under applicable Treasury regulations. Therefore, we do not intend to treat such potential additional payments as part of the yield to maturity of the Notes. Our determination that these contingencies are remote or incidental is binding on a U.S. Holder, unless such U.S. Holder explicitly discloses to the IRS on its tax return for the year during which it acquires the Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a U.S. Holder may be required to accrue income on its Notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income recognized on the taxable disposition of a Note. U.S. Holders should consult their tax advisor regarding the tax consequences if the Notes were treated as contingent payment debt instruments. The discussion below assumes that the Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

Subject to the foreign currency rules discussed below, 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 taxable to 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 tax accounting will be required to include in income (as ordinary income) the U.S. dollar value of the euro denominated interest payment on a Note based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No foreign currency exchange gain or loss will be recognized with respect to the receipt of such payment (other than foreign currency exchange gain or loss realized on the disposition of the euros so received, See "*—Exchange of Foreign Currency*".

A U.S. Holder that uses the accrual method of tax accounting (or who otherwise is required to accrue interest prior to receipt) will accrue interest income (as ordinary income) on a Note in euros and translate the amount accrued into U.S. dollars based on:

- the average exchange rate in effect during the interest accrual period, or portion thereof, within such U.S. Holder's taxable year; or
- at such U.S. Holder's election, at the spot rate of exchange on (1) the last day of the accrual period, or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year, or (2) the date of receipt, if such date is within five business days of the last day of the accrual period. Such election must be applied consistently by the U.S. Holder to all debt instruments

held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and can be changed only with the consent of the IRS.

A U.S. Holder that uses the accrual method of tax accounting will recognize foreign currency exchange gain or loss on the receipt of an interest payment equal to the difference between (i) the value of the euros received as interest, as translated into U.S. dollars using the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars, and (ii) the U.S. dollar amount previously included in income with respect to such payment. Such foreign currency exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S. source, and generally will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

If the stated principal amount of a series of Notes exceeds their issue price by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 1/4 of 1 percent of the principal amount of the Notes of such series multiplied by the number of complete years to maturity from their original issue date), then the Notes of such series will be considered to be issued with OID for United States federal income tax purposes. In such a case, the amount of OID on the relevant series of Notes will equal the excess of (i) the sum of all principal and stated interest payments provided by the Note over (ii) the issue price (as defined above) of the Note.

If a series of Notes are issued with OID, a U.S. Holder (whether a cash or accrual method taxpayer) generally will be required to include in gross income (as ordinary income) any OID as it accrues on a constant yield to maturity basis, before the holder's receipt of cash payments attributable to this income. The amount of OID, if any, includible in gross income for a taxable year will be the sum of the daily portions of OID with respect to the Note for each day during that taxable year on which the U.S. Holder holds the Note. Generally, the daily portion is determined by allocating to each day in an "accrual period" (other than the initial short accrual period and the final accrual period) a *pro rata* portion of the OID allocable to that accrual period. The OID allocable to any accrual period will equal (a) the product of the "adjusted issue price" of the Note as of the beginning of such accrual period and the Note's "yield to maturity" (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the qualified stated interest allocable to the accrual period. The term "qualified stated interest generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single fixed rate or, under certain circumstances, at a variable rate. Stated interest on the Notes should be treated as qualified stated interest. The "yield to maturity" is the discount rate that, when applied to all payments under a Note as of its issue date, results in a present value equal to the Note's issue price. The amount of OID allocable to any initial short accrual period generally may be computed under any reasonable method. The amount of OID allocable to the final accrual period is the difference between the stated principal amount of the Note and the adjusted issue price of the Note at the beginning of the final accrual period. The "adjusted issue price" of a Note as of the beginning of any accrual period generally will equal its issue price, increased by previously accrued OID. For purposes of determining OID accruals and "adjusted issue price" only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Floating Rate Notes is a fixed rate based on the value of the floating rate applicable to the Floating Rate Notes as of the issue date. Under these rules, a U.S. Holder of a Note issued with OID generally will be required to include in income increasingly greater amounts of OID in successive accrual periods. Under the Treasury regulations, a holder of a Note with OID may elect to include in gross income all interest that accrues on the Note using the constant yield method. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

The accrual of OID on a Note will be computed in euros, and the amount of accrued OID determined for any accrual period then will be translated into U.S. dollars, regardless of the U.S. Holder's method of accounting and in accordance with either of the two alternative methods described above in "—*Payments of Stated Interest*."

Upon receipt of a payment attributable to OID on a Note (whether in connection with a payment on such Note or the sale, exchange or other disposition of such Note), a U.S. Holder generally will recognize foreign currency exchange gain or loss in an amount equal to the difference between the U.S. dollar amount of OID that such holder has previously included in income and the U.S. dollar value of such payment (determined by translating any euros received at the spot rate on the date such payment is received). Generally, any such exchange gain or loss will be treated as U.S. source and will be treated as ordinary income or loss and will not be treated as interest income or expense. For this purpose, all payments on a Note generally will be viewed first as the payment of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

Foreign Tax Credits

Interest (and accrued OID) generally will be income from sources outside of the United States and, for purposes of the U.S. foreign tax credit, generally will be considered "passive category income" for purposes of 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. 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 availability of foreign tax credits.

Sale, Exchange or Other Taxable Disposition of the Notes

Upon the sale, exchange, retirement at maturity, redemption or other taxable disposition of a Note, except as noted below with respect to foreign currency exchange gain or loss, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized by such U.S. Holder (except to the extent such amount is attributable to accrued but unpaid interest, which will be taxable as described above under "*—Payments of Stated Interest,*" to the extent not previously included in income by the U.S. Holder) and such U.S. Holder's adjusted tax basis in such Note. Subject to the discussion below, the adjusted tax basis of a Note to a U.S. Holder will generally be the U.S. dollar value of the euro purchase price calculated at the spot rate of exchange on the date of purchase increased by any previously accrued OID. The amount realized by a U.S. Holder upon the disposition of a Note will generally be the U.S. dollar value of the euros received calculated at the spot rate of exchange on the date of disposition.

If the Notes are traded on an established securities market, a U.S. Holder that uses the cash method of tax accounting, and if it so elects, a U.S. Holder that uses the accrual method of tax accounting, will determine the dollar value of its adjusted tax basis in such Note and the amount realized on the disposition of a Note by translating euro amounts at the spot rate of exchange on the settlement date of the purchase or the disposition, respectively. The election available to accrual basis U.S. Holders discussed above must be applied consistently by the U.S. Holder to all debt instruments from year to year and can be changed only with 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.

Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for the Notes exceeds one year on the date of disposition. Long-term capital gains recognized by non-corporate U.S. Holders are eligible for reduced rates of taxation. Capital gain or loss, if any, recognized by U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on a sale, exchange, retirement at maturity, redemption or other taxable disposition of a Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in the euro to U.S. dollar exchange rate during the period in which the U.S. Holder held such Note. Such foreign currency exchange gain or loss will equal the difference between the U.S. dollar value of the euro purchase price calculated at the spot rate of exchange on the date (1) the Note is disposed of (or the spot rate on the settlement date, if applicable) and (2) of purchase (or the spot rate on the settlement date, if applicable). In addition, upon the sale, exchange or other taxable disposition of the Notes, a U.S. Holder may realize foreign currency exchange gain or loss attributable to amounts received with respect to accrued interest or accrued OID, which will be treated as discussed above under "*—Payments of Stated Interest*" and "*—Original Issue Discount*," respectively**.** The recognition of foreign currency exchange gain or loss described in this paragraph will be limited to the amount of overall gain or loss realized on the disposition of a Note, and will be treated as U.S. source ordinary income for U.S. foreign tax credit limitation purposes.

Exchange of Foreign Currency

Foreign currency (including any euros) received as interest on, or on a disposition of, a Note will have a tax basis equal to the U.S. dollar value of such foreign currency at the time such interest is received or at the time such proceeds from disposition are received. The amount of gain or loss recognized by a U.S. Holder on the sale or other disposition of such foreign currency for U.S. dollars will be equal to the difference between (1) the amount of U.S. dollars and (2) the U.S. Holder's adjusted tax basis in such foreign currency. Upon any subsequent exchange of such foreign currency for property, a U.S. Holder generally will recognize exchange gain or loss equal to the difference between (1) the U.S. dollar value of such foreign currency paid for such property based on the spot rate of exchange for such foreign currency on the date of the exchange and (2) the U.S. Holder's tax basis in the foreign currency so exchanged. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. Holder (or an electing accrual basis U.S. Holder) will determine the U.S. dollar value of the foreign currency by translating the foreign currency received at the spot rate of exchange on the settlement date of the purchase or the disposition. A U.S. Holder that purchases a Note with previously owned foreign currency will generally recognize gain or loss in an amount equal to the difference, if any, between such U.S. Holder's adjusted tax basis in such foreign currency and the U.S. dollar fair market value of such note on the date of purchase.

Any such foreign currency gain or loss generally will be U.S. source ordinary income or loss for U.S. foreign tax credit limitation purposes.

Reportable Transactions

Under applicable Treasury regulations, a U.S. Holder who participates in "reportable transactions" (as defined in the Treasury regulations) must attach to its United States federal income tax return a disclosure statement on IRS Form 8886. The Treasury regulations could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the Treasury regulations. U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, including any requirement to file IRS Form 8886, with respect to the ownership or disposition of the Notes or any related transaction such as the disposition of any euros received in respect of the Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of principal and interest (including the accrual of OID) 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 (such as a corporation), and, when required, provides evidence of such exemption. The payor (which may be us or an intermediate payor) will be required to impose backup withholding, currently at a rate of 24%, on such payments if (1) the U.S. Holder fails to furnish an accurate taxpayer identification number or to establish an exemption from backup withholding; (2) the IRS notifies the payor that the taxpayer identification number furnished by the U.S. Holder is incorrect; (3) there has been a "notified payee underreporting" described in section 3406(c) of the Code; or (4) the U.S. Holder has not certified under penalties of perjury that it has furnished a correct taxpayer identification number, that it is a United States person, and that the IRS has not notified such U.S. Holder that it is subject to backup withholding under the Code. 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 that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the effect, if any, of the backup withholding rules on their particular circumstances.

Information With Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing 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 and the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder ("FATCA") generally impose a 30% withholding tax on interest income including accrued OID paid on a debt obligation if such interest income is treated as a "foreign passthru payment" attributable to certain U.S. source payments. However, under proposed U.S. Treasury regulations issued in December 2018 (and on which taxpayers may rely until final regulations are issued), such withholding does not apply to any "foreign passthru payment" that is made before the date that is two years after the date on which applicable final U.S. Treasury regulations defining "foreign passthru payments" are issued. Additionally, obligations issued on or prior to the date that is six months after the date on which applicable final Treasury regulations defining "foreign passthru payments" are issued generally would be "grandfathered" unless such obligations are materially modified after such date. As of the date of this Offering Memorandum, applicable final Treasury regulations defining the term "foreign passthru payment" have not been issued. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would 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 the foregoing grandfathering period. Non-U.S. governments have entered into, and others are expected to enter into, intergovernmental agreements with the United States to implement FATCA in a manner that alters the rules described herein. U.S. 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 generally will be no Additional Amounts payable to compensate for the withheld amount.

Certain Other Tax Considerations

Payment by a Guarantor

If a Guarantor 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. It is not certain that such payments by a Guarantor will be eligible for all the exemptions described above.

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.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the Notes (i.e. its corporate resolutions) are governed by Italian law.

The Issuer of the Notes is incorporated under the laws of Italy. TopCo, the Target and the Guarantors are incorporated under the laws of Italy. Following the Post-Completion Merger, MergerCo will also be an entity incorporated under the laws of Italy. The documents relating to the Collateral for the Notes will be governed by the laws of Italy and the documents relating to the Escrow Charge will be governed by the laws of England and Wales. The Indenture (including the Guarantee) and the Notes are or will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuer and of the Guarantors are non-residents of the United States. Because substantially all of the assets of the Issuer, TopCo, and of the 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, TopCo, MergerCo or the Guarantors 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 Guarantors 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, the Indenture or under U.S. 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 securities laws, or other laws against us or on such other persons as mentioned above in the courts of a foreign jurisdiction. It may be possible for investors to effect service of process within other jurisdictions upon those persons, the Issuer or any Guarantor provided that, 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, TopCo, any Guarantor or, following the Post-Completion Merger, MergerCo, 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 the Guarantors 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.

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. If an original action is brought before an Italian court, the Italian court 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.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE SECURITY INTERESTS

The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, TopCo, the Guarantor and certain subsidiaries are incorporated or organized, and a summary of certain limitations on the validity and enforceability of the Guarantee and the security interests for the Notes. The description below is only a summary, 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 of the Notes, and it does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes and the Guarantee and the security interests in the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer, Topco, MergerCo and the Guarantors are (or, in the case of MergerCo, will be) incorporated under the laws of Member States of the EU.

On June 23, 2016, the United Kingdom voted in favor of Brexit. There remains considerable uncertainty and there is likely to be uncertainty for some time to come as to the impact Brexit will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a 'no deal' Brexit scenario in particular, it will likely be harder for United Kingdom office holders and United Kingdom restructuring and insolvency proceedings to be recognized in Member States and to effectively deal with assets located in those other Member States. Much depends upon the private international law rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of a United Kingdom office holder has been made in reliance on a United Kingdom domestic approach, it is much less certain that there will be recognition in the relevant Member State even if United Kingdom jurisdiction is taken on the grounds of a United Kingdom center of main interests or establishment (where such concepts are retained as a matter of United Kingdom domestic law). The below guidance as to center of main interests and any cross-border proceedings within the EU should be construed as a description of the current law as at the date of this Offering Memorandum.

Pursuant to Regulation (EU) No. 2015/848 of the European Parliament and of the European Council of May 20, 2015 on insolvency proceedings (which entered into force on June 26, 2017 and applies to insolvency proceedings opened on or after that date) replacing Regulation (EC) 1346/2000 of May 29, 2000, (the "EU Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "*center of main interests*" (which according to Article 3(1) of the EU 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*") is situated have jurisdiction to open main insolvency proceedings (subject to certain exceptions). The determination of where a company has its "*center of main interests*" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The second sentence of Article 3(1) of the EU Insolvency Regulation states that a company's "center of main interests shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Pursuant to Article 3(1) of the EU Insolvency Regulation the "*center of main interests*" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the EU Insolvency Regulation states that "*it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State.*" The courts have taken into consideration a number of factors in determining the "*center of main interests*" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established and where they recognize as being the center of the company's operations. A company's "*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 unless (as set forth above) the registered office has been moved within the three month period prior to the filing of the insolvency petition. If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be opened in such jurisdiction and accordingly a court in such jurisdiction would be entitled to open the types of insolvency proceedings.

The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

If the "*center of main interests*" of a company, at the time an insolvency application is made, is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open (subject to certain exceptions) secondary insolvency proceedings or 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 EU Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "*establishment*" is defined to mean a 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 secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State (other than Denmark) are restricted to the assets of the company situated in such other Member State.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the Member State (other than Denmark) in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State (other than Denmark) where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the company.

The courts of all of the Member States (other than Denmark) must recognize the judgment of the court commencing the main proceedings (subject to any public policy exceptions), which will be given the same effect in the other Member States (other than Denmark) so long as no secondary proceedings or territorial insolvency proceedings have been commenced there and subject to certain other exceptions (for instance, rights *in rem* situated in another Member State remain subject to the original laws governing such rights). The insolvency practitioner appointed or confirmed by a court in a Member State which has jurisdiction to commence main proceedings (because the company's center of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the company from that other Member State) subject to certain limitations (for instance, the powers are available so long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the company has assets).

In addition, the concept of "group coordination proceedings" has been introduced in the EU Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency proceedings of several members of a group of companies opened in one or more Member States (other than Denmark). Under Article 61 of the EU 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 coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that any one or more of the Issuer or the Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

Italy

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 recently 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) a 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. Pursuant to the Law Decree No. 23 of April 8, 2020, entry into force of the Insolvency Code has further been postponed to September 1, 2021. 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 entered into force in June 2015 (the date of its publication in the Gazzetta Ufficiale) and has been converted into law by Italian Law No. 132 of August 6, 2015, effective August 21, 2015 (the date after its publication in the Gazzetta Ufficiale) ("Law 132"); 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 Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (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 have often 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 rather than 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*) 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)

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) may be entered into by the debtor with creditors holding at least 60% of the outstanding company's claim or debts, subject to court's sanctioning (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within a 120-day term from (i) the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court and (ii) the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The 60 days moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, to the court by the debtor pending negotiations with creditors (prior to the above mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the moratorium have been met and, if the court so determines, 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 the restructuring agreement and the assessment by the expert has to be deposited. The court's order may be challenged within fifteen days of its publication. Within the same deadline of 60 days, an application for the court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within fifteen days of its publication. The Decree 83/2015, as amended by Law 132 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, 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.

The debtor may also enter into a moratorium arrangement (*convenzione di moratoria*) with its creditors representing 75% of that debtor's aggregate financial indebtedness which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent modestly exposed bank and financial creditors from blocking restructuring operations involving more exposed bank and financial creditors, resulting in the failure of the overall restructuring and the opening of a procedure. The banks and financial intermediaries which have not agreed to the moratorium arrangement may file an objection (*opposizione*) to it within 30 days after having been notified of the moratorium arrangement.

In no case the debt restructuring agreement provided under Article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize 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 (*concordato preventivo*)) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financings granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement or a court supervised Pre Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182-*bis*, Paragraph 1, 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, (in relation to the court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) described below) may authorize the debtor, if so expressly requested, to (i) incur new super senior (*prededucibile*) indebtedness subject to authorization by the court, (ii) secure such indebtedness via *in rem* security ("*garanzie reali*"), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financial indebtedness aims to achieve a better satisfaction of the creditors and (iii) pay pre-existing debts deriving from the supply of services or goods, 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, 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, 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). 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)*. 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), will 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 creditors referred to in respect of *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, 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 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 have 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* proceeding, 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 is untested in the Italian courts. 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, 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 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, 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.

Bankruptcy (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 (att*ivo 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, 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 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 or third parties or the receiver, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatment among the classes) 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, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.
- *Statutory priorities*. The statutory priority 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. 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 the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The rules of statutory priority create 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.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre deductible" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired, the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are, in order of priority, those of "privileged creditors" (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*). 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.

- *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, depending on the circumstances, the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the claw-back period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions 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.

(a) Acts ineffective by operation of law.

(i) Under 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) under 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.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) 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 above referenced 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:

- 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;

- 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;

- 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
- 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.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the 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
- the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of Italian Royal Decree No. 262 of March 16, 1942 (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;
- transactions entered into, payments made and guarantees and security granted by, the debtor pursuant to a plan under Article 67 of the Italian Bankruptcy Law (see "*—Out-of-Court Reorganization Plans (Piani di Risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);
- a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see "*—Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)*" above) or an *accordo di ristrutturazione dei debiti* under Article 182-*bis* of the Italian Bankruptcy Law (see "*—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)*" above);
- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and
- 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 without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back / nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*, i.e., "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 EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria delle Grandi Imprese in Stato di Insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the Prodi-*bis* procedure). To be eligible, the relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the year preceding the commencement of the procedure. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity.

There are two main phases: a "judicial phase" and an "administrative phase."

(a) *Judicial Phase*. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of the Economic Development (the "Ministry") shall file an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

(b) *Administrative Phase*. Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). The plan may also include an arrangement with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)

Introduced in 2003 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 extraordinary administration proceedings.

Interim Financing

Decree 83/2015, as amended by Law 132, 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 ten 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 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 / Claw-back 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 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 EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

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 claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back 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 claw-back actions in an insolvency scenario, see "*—Bankruptcy (fallimento)*" above.

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

Furthermore, in the event that the limitations on the guarantee issued by any 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:

(a) the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;

(b) an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Italian court;

(c) with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

(d) claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni* and *decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;

(e) pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;

(f) where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;

(g) the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the 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;

(h) there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

(i) enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

(j) the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

(k) any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);

(l) an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;

(m) an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;

(n) in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' 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;

(o) 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;

(p) in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;

(q) there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

(r) the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

(s) penalties and liquidated damages (*penali*) may be equitably reduced by a court;

(t) Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

(u) a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and

(v) in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas / shares.

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:

(a) that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

(b) that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that said third party participated in the fraudulent design.

Limitations on Validity and Enforceability of Guarantee and Security Interests Under Italian Law

Corporate Benefit

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 by-laws (*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.

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 security or guarantee (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., a guarantee guaranteeing or a security interest granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity incorporated under the laws of Italy depends 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. The general rule is that 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 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.

In the light of the above, the Target as Guarantor shall not undertake to guarantee financial indebtedness which was incurred, in full or in part, to purchase its shares and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts unless in compliance with the limitations and exceptions set forth therein. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and the Security Interests—Italy—Limitations on Validity and Enforceability of the Guarantee and the Security Interests under Italian Law—*

Whitewash Procedure" and "*Risk Factors—Risk Factors—Risks Related to the Notes, the Guarantee and the Collateral—Once granted, the Guarantee 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.*"

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 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 Guarantees and Collateral

In order to comply with the above corporate law requirements on, *inter alia*, corporate benefit and financial assistance, the maximum amount that the Target may be required to pay in respect of its obligations as Guarantor under the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, the Target's obligations under its Guarantee will be significantly less than the amounts payable with respect to the Notes, or the Target may have effectively no obligation under its Guarantee.

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 Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, as regard to the Target:

(a) the Guarantees and security interests granted by the Target shall not exceed at any time an amount equal to the lower of:

  (A) the amount of distributable profits and available reserves that will be set aside for such purposes in connection with the Whitewash Procedure; and

  (B) the principal amount of the Funding Loan outstanding at the time of the enforcement of the relevant Guarantee,

  in each case net of any proceeds already paid by the Target pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by the Target; *provided* further that the Target shall not be liable as a Guarantor in respect of any amounts in excess of the amount that the Target is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by the Target under its Guarantee;

(b) the maximum amount guaranteed and/or secured by the Target, also in accordance with Article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

(c) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by the Target 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 the Target at that time; and

(d) 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 September 1, 1993), the obligations of the Target under its 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 September 1, 1993, respectively.

In any case, the maximum amount that the Target 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 Target Collateral granted by the Target will ratably concur and not cumulate with the corresponding amounts due by the Target to any guaranteed and/or secured creditor pursuant to 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 the Target, the obligations of the Target as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and 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 Target shall not exceed on an aggregate basis the limit of the Target's credit support as described above.

The proceeds of the enforcement of said guarantees and/or security interests shall 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, as applicable, will be able to recover limited amounts under the relevant Guarantees and security.

Whitewash Procedure

In order to provide the Guarantee and to grant the Target Collateral in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Target will be required to carry out a "whitewash procedure" under Article 2358 of the Italian Civil Code (the "**Whitewash Procedure**"). As of the date on this Offering Memorandum, the validity and enforceability of guarantees and/or security granted by virtue of the Whitewash Procedure have not been tested before the Italian courts.

Pursuant to the Italian Civil Code, the Whitewash Procedure must be carried out as follows: (i) the credit support to be granted by Target under its Guarantee and the Target Collateral must be authorized at an extraordinary shareholders meeting of the Target; and (ii) the board of directors of the Target must prepare a written report (to be deposited at the registered office of the Target 30 days prior to the relevant extraordinary shareholders' meeting (unless such requirement is waived with the consent of the Target's shareholder and the Target's statutory auditors)) indicating the reasons for providing the Guarantee and the Target Collateral, the impact of providing the Guarantee and the Target Collateral on the Target's solvency, the specific purpose for providing the Guarantee and the Target Collateral, the risk factors associated with providing the Guarantee and the Target Collateral with reference to the liquidity, the solvency and the price of purchase and/or subscription of the shares in the Target. The board of directors' report shall also state that the transaction pursue at the best conditions the corporate benefit of the company. The board of directors of the Target will also need to verify that the provision of the Guarantee and the Target Collateral is provided on "market conditions", including with specific reference to the Notes, the interest rate of the Notes and the creditworthiness of the Issuer.

Under article 2358, paragraph 6, of the Italian Civil Code, the ability of holders of the Notes to recover on the Guarantee and the Target Collateral will at any time be limited to an amount not greater than that of the distributable profits and the available reserves as set out in the most recent "duly approved financial statements" of the Target, and will in any event be subject to the additional limitations a set out in "*Risk Factors-Risks Related to the Notes, the Guarantee and the Security Interests—Once granted, the Guarantee 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 Guarantee and the Security Interests—Corporate benefit, financial assistance laws, capital maintenance and other limitations of the Guarantee and the Collateral and/or Escrowed Property may adversely affect the validity and the Enforceability of the Guarantee and the Collateral and/or the Escrowed Property*" and "*Certain insolvency law considerations and limitations on the validity and enforceability of the guarantee and the security interests—Italy—Limitations on Validity and Enforceability of the Guarantee and Security Interests Under Italian Law—Limitations to the Guarantees and Collateral*". In this respect, the form of the Guarantee to be provided by the Target and the relevant security documents to be entered into by the Target will reflect the foregoing limitations as to the amount of the obligations that will be guaranteed and secured in respect of the Notes, as the case may be, by the Target, upon completion of the Whitewash Procedure. See "*Description of the Notes—Guarantees*".

The financial statements of the Target, for the purpose of determining the amount of its distributable profits (if any) and available reserves for the purposes of the Whitewash Procedure, are envisaged to be those that will be approved with respect to the financial year ending on December 31, 2020.

In addition, under Article 2358, paragraph 6, of the Italian Civil Code, reserves which are not distributable in an amount equal to the guarantees issued or security granted in respect of a principal debt obligation must be accounted for as liability in the financial statements of the relevant Italian security provider/guarantor. Accordingly, a corresponding amount of profits and/or reserves will not be available for distribution by Target until the Guarantee and the Target Collateral have been released or discharged, as applicable.

In addition, to the extent losses are recorded by the Target at any time, any such losses could reduce reserves relating to the credit support previously provided by the Target in connection with the Whitewash Procedure; such losses could arise in the ordinary course of business or in connection with contingent liabilities and it has been held by prevailing legal analysis that losses will only erode any such reserves after full impairment of other reserves and share capital.

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 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 only granted in favor of the *rappresentante*, the holders of 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 Considerations in Relation to Security Interests

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are 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 (and, following the Post-Completion Merger, MergerCo's) relationship with Italian subsidiaries under the relevant intercompany loans, including to the Issuer's relationship with the Target under the Funding Loan. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note (including any obligations of the Target under the Funding Loan) be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer (and, following the Post-Completion Merger, MergerCo) may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries (including any amounts under the Funding Loan granted to the Target), which could have a material adverse effect on the Issuer's (and, following the Post-Completion Merger, MergerCo's) ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans (including any obligations of the Target under the Funding Loan) or notes are 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 the Guarantee) may be impaired or restricted.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale of the Notes will be made pursuant to a purchase agreement among the Issuer and the Initial Purchasers to be dated the date of the final Offering Memorandum (together, the "Purchase Agreement").

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial Offering, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. Any offers and sales in the United States will be conducted by broker-dealers registered with the U.S. Securities and Exchange Commission. Banca IMI S.p.A. is not a U.S. registered broker-dealer and it will not effect any offers or sales of any Notes in the United States unless such sale is through one or more U.S. registered broker-dealers. Banca Akros S.p.A.—Gruppo BANCO BPM and Unione di Banche Italiane S.p.A. will effect offers and sales of the Notes solely outside of the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses.

The Sponsors or their respective affiliates may place a purchase order for and be allocated the Notes at a purchase price per Note equal to the issue price set forth on the cover page of this Offering Memorandum, subject to a pass through of the Initial Purchasers' discount (ignoring any credit) in respect of the Notes purchased by such persons.

Investment funds advised by entities affiliated with the Sponsors may purchase Notes in the Offering at a purchase price per Note equal to the issue price set forth on the cover page of this Offering Memorandum, and in the case of investment funds registered under the Investment Company Act of 1940, as amended (the "1940 Act"), subject to the 1940 Act. The Purchase Agreement between the Issuer and the Initial Purchasers will not restrict the ability of the funds and the affiliates of the Sponsors to buy or sell the Notes in the future and, as a result, these investment funds and affiliates of the Sponsors may buy or sell Notes in open market transactions at any time following the consummation of the Offering.

The Purchase Agreement provides that the Issuer and the Guarantors (as of the date of its accession to the Purchase Agreement) will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer or the Guarantors that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling   days after the closing of the Offering without the prior written consent of the Initial Purchasers.

No action has been taken in any jurisdiction by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*."

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

General

New Issue of Notes

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through its listing agent, for the listing of and permission to deal in the Notes on the Exchange. However, the Issuer cannot assure you that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*."

Initial Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be Business Days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Price Stabilization and Short Positions

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit the Initial Purchasers to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

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. Specifically, the Stabilization Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining 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 trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Security Interests—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*."

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 transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering 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 the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

United States

The Notes (including the Guarantee) have not been and will not be registered under the Securities Act, and may not be offered or sold except (i) to QIBs in offers and sales that occur within the United States, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) in offers and sales that occur outside the United States, in reliance on Regulation S, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, the Initial Purchasers have represented and agreed that they have not offered or sold, and will not offer or sell, any of the Notes (including the Guarantee) as part of their allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Regulation S. Transfer of the Notes (including the Guarantee) will be restricted and each purchaser of the Notes (including the Guarantee) in the United States will be required to make certain acknowledgements, representations and agreements, as described under "*Notice to Investors*."

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the Exchange Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act and in connection with any applicable state securities laws.

Each of the Initial Purchasers has represented and warranted to us that:

(1) 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; and

(2) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or instrument 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 any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

United Kingdom

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person. The Notes are not being offered to the public in the United Kingdom.

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Notes. In relation to each Member State no offer of Notes to the public in that Member State may be made other than:

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

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

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

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

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

Italy

No action has been or will be taken which could allow an offering to the public in the Republic of Italy within the meaning of Article 1(1)(t) of the Italian Financial Act and, in particular, the Offering has not been submitted to the clearance of CONSOB, pursuant to Italian securities legislation and will not be subject to review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in the Republic of Italy, and neither this Offering Memorandum nor any other offering memorandum, prospectus, form of application, advertisement, other offering material or other documentation relating to the Notes may be issued, distributed or published in the Republic of Italy, either on the primary or on the secondary market, except: (a) to qualified investors (*investitori qualificati*) as referred to in Article 2(e) of the Prospectus Regulation; or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and Article 34-*ter*, first paragraph of the Issuer Regulation and any other applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum nor any other material relating to the Notes, may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, Paragraph 1(r) of the Italian Financial Act), permitted to conduct such activities in the Republic of Italy in accordance, as applicable, with the Italian Banking Act as subsequently integrated and amended, the Italian Financial Act, the Issuer Regulation, CONSOB Regulation No. 20307 of February 15, 2018, as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which 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) and/or other competent Italian authority. 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.

Other Relationships

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and lending and commercial banking services to the Issuer, its affiliates its shareholders, as well as the Target Group, in the ordinary course of business for which they have received or may receive customary fees and commissions. Certain Initial Purchasers and/or their affiliates may hold equity interests and be entitled to appoint board members and/or other corporate bodies' members in the Issuer and/or its affiliates, its shareholders and/or their affiliates, including the funds managed by the Issuer's shareholders. In particular, as of the date of this Offering Memorandum, Banca IMI S.p.A. and/or its affiliates, including its parent company, indirectly hold equity interests amounting to approximately 12% in NBRP Fund III (an indirect shareholder of the Issuer) and to approximately 27.4% in a company that currently indirectly holds approximately 0.7% of the Target's share capital. The Initial Purchasers or their respective affiliates expect to receive, customary fees and commissions for the Transactions. The Initial Purchasers or their respective affiliates will also act as mandated lead arrangers and/or lenders under the Revolving Credit Facility and will receive customary fees for their services in such respective capacities. Additionally, certain of the Initial Purchasers or certain of their respective affiliates have committed to fund a senior secured bridge facility to provide financing for the Acquisition in the event the Offering is not consummated. In addition, certain proceeds from the Offering may be used to repay outstanding amounts due under credit facilities of the Target Group. Certain of the Initial Purchasers or their respective affiliates are lenders under such facilities and have received fees in connection therewith.

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. The Initial Purchasers and their affiliates may also receive allocations of the Notes. The Initial Purchasers and their respective affiliates may also, in the future, act as hedge counterparties to the Issuer or the Target 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 customers that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes the respective parent companies of the Initial Purchasers.

NOTICE TO INVESTORS

The following restrictions will apply to the Notes. You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the Notes and/or the Guarantee offered hereby.

The Notes and the Guarantee (together, the "Securities") have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Securities are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A, "QIBs") in reliance on Rule 144A and (ii) outside the United States in an offshore transaction (as defined in Regulation S) in reliance on Regulation S.

We have not registered and will not register the Securities under the Securities Act and, therefore, the Securities may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Securities to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Securities hereunder (other than each of the Initial Purchasers) will be deemed to have acknowledged, represented, warranted and agreed with the Issuer, the Guarantors and the Initial Purchasers as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) it understands and acknowledges that (i) the Securities have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and (ii) unless so registered, the Securities may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws or pursuant to an exemption therefrom, or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below;

(2) it is either (a) a QIB and is aware that any sale of these Securities to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB, or (b) it is purchasing the Securities outside the United States in an offshore transaction in accordance with Regulation S;

(3) it acknowledges that none of the Issuer, the Target, the Initial Purchasers, or any person representing any of the foregoing, has made any representation to it with respect to us or the offer or sale of any Securities, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It has had access to such financial and other information concerning us and the Securities as it has deemed necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum;

(4) it is purchasing the Securities for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities to a QIB pursuant to Rule 144A or in offshore transactions pursuant to Regulation S or any other exemption from registration available under the Securities Act;

(5) it understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Securities or any beneficial interests in any Securities, it will not do so prior to the date which is, in the case of Securities offered to QIBs, one year after the later of the original issue date of such Securities, the original issue date of the issuance of any additional securities and the last date on which the Issuer or any affiliate of the Issuer was the owner of such Security (or any predecessor of such Security) only (a) to the Issuer, the Guarantors or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as such Security is eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's right prior to any such offer, sale or transfer pursuant to clause (d) or (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to it, including a certificate of transfer in the form appearing on the reverse of such Security.

(6) it understands that the 144A Securities will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE 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, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("QIB"); (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF SUCH SECURITIES, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL SECURITIES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT 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 UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO IT, INCLUDING A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS SECURITY; AND (3) AGREES THAT IT WILL TRANSFER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(7) each Note that is issued with OID will bear a legend substantially to the following effect:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS SECURITY WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT'" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE SECURITY BY CONTACTING THE ISSUER AT VIALE BIANCA NO. 25, 20122, MILAN, ITALY.

If you purchase Securities, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities:

(1) it agrees that it will, and each subsequent holder is required to, give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities, if then applicable;

(2) it acknowledges that the Registrar will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with;

(3) it acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account; and

(4) it understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set forth under "*Notice to U.S. Investors*," "*Notice to Investors*" and "*Plan of Distribution*."

(5) It agrees to indemnify and hold us, the Trustee, the Initial Purchasers and their respective affiliates harmless from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(6) It acknowledges that any purported acquisition or transfer of the Notes or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio.*

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Kirkland & Ellis International LLP, as to matters of United States federal, New York and English law, by Gattai, Minoli, Agostinelli & Partners, as to matters of Italian law, and by Pirola Pennuto Zei & Associati, as to matters of Italian tax law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Latham & Watkins LLP, as to matters of United States federal, New York, English and Italian law and by Maisto e Associati, as to matters of Italian tax law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, all prepared in accordance with IFRS, included in this Offering Memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as stated in their reports included herein.

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy (*Registro dei Revisori Legali*) maintained by the Italian Ministry of Economy and Finance in compliance with the provisions of Legislative Decree No. 39 of January 27, 2010. Deloitte & Touche S.p.A. is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms. The address of Deloitte & Touche S.p.A. is Via della Camilluccia 589/A, 00135, Rome, Italy.

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the 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 (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

While any of the Notes remain outstanding and are "restricted securities" within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request with respect to the Notes should be directed to the Issuer at Viale Bianca, no. 25, 20122 Milan, Italy.

We are currently not, and do not expect to be in the future, subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to holders of the Notes, as further described under "*Description of the Notes—Certain Covenants—Reports*."

Copies of the Issuer's organizational documents, the Indenture, the Intercreditor Agreement, the Security Documents and our most recent consolidated financial statements published by us will be available from the Issuer upon written request to the address of the Issuer specified above on and after the grant of listing of the Notes.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made to list the Notes on the Exchange and for the admission of the Notes to trading on the Exchange.

For so long as the Notes are listed on the Exchange and the rules of that exchange require, copies of the following documents may be inspected in physical / electronic form and obtained free of charge at the specified office of the Issuer during normal business hours on any weekday:

- the organizational documents of the Issuer and the Guarantors;
- our most recent audited consolidated financial statements, and any interim quarterly financial statements published by us;
- this Offering Memorandum;
- the Indenture;
- the Security Documents; and
- the Intercreditor Agreement.

We will maintain a paying agent and transfer target in London for as long as any of the Notes are listed on the Exchange.

According to the Rules and Regulations of the Exchange, the Notes will be freely transferable in accordance with applicable law.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The common codes and identification numbers ("ISIN Number") for the Notes are set forth below:

	Common Code	ISIN Number
144A Notes		
Regulation S Notes		

The Issuer

The Issuer was incorporated in Italy as a *società per azioni* on March 20, 2020. The Issuer is registered under number 11230560960 with the Companies Register of Milan (*Camera di Commercio di Milano, Monza, Brianza, Lodi*), and has its registered office in Milan, Italy, at Viale Bianca Maria, no. 25, 20122. The Issuer's LEI is 815600440B4998FCA515. The Issuer has an authorized share capital of €50,000.00 divided into 50,000.00 fully paid shares with a par value of €1.00 each.

The Guarantor

Subject to the Agreed Security Principles and to certain material limitations pursuant to applicable laws, in the event that the Post-Completion Merger does not occur within twelve months from the Acquisition Closing Date, the Issuer will use commercially reasonable efforts to cause the Target to guarantee the Notes.

The Target was incorporated in Italy as a *società per azioni* on June 6, 1980. The Target is registered under number 00967720285 with the Companies Register of Rome (*Camera di Commercio di Roma*) and has its registered office in Rome, Italy, at Piazzale dell'Agricoltura, no. 24. The Target has an authorized share capital of €40,081,172.00, paid-up for an amount of €31,875,000.00 divided into multiple classes of shares.

Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance of the Notes and performance of its obligations under the Notes. The creation and issuance of the Notes was approved by resolutions of the board of directors of the Issuer on   and   , 2020.

Material Adverse Change in the Issuer's Financial Position

Except as disclosed elsewhere in this Offering Memorandum, there has been no significant change in our consolidated financial or trading position since March 20, 2020. There has been no material adverse change in our prospects since March 20, 2020.

Litigation

Except as disclosed elsewhere in this Offering Memorandum, we are not involved, nor have we been involved during the twelve months preceding the date of this Offering Memorandum, in any legal, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a significant effect on our financial position or profitability and, so far as each is aware, having made all reasonable inquiries, there are no such legal, arbitration or administrative proceedings pending or threatened.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ENGINEERING INGEGNERIA INFORMATICA S.P.A. FOR THE THREE MONTHS ENDED MARCH 31, 2020

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS

Interim Condensed Consolidated Statement of Financial Position at 31 March 2020

Statement of Financial Position—Assets	Note	31.03.2020	31.12.2019
		(in Euros)	
A) NON-CURRENT ASSETS			
Property, plant and equipment	*7*	28,685,405	29,792,652
Intangible assets	*8*	528,187,877	533,500,604
Rights of use	*9*	169,071,826	173,372,063
Goodwill	*10*	112,517,279	107,854,469
Equity investments		54,818	54,818
Deferred tax assets	*11*	25,064,999	24,859,040
Other non-current assets		5,802,245	5,837,675
TOTAL NON-CURRENT ASSETS		**869,384,450**	**875,271,321**
B) NON-CURRENT ASSETS HELD FOR SALE			
C) CURRENT ASSETS			
Inventory		90,719	90,514
Customer contract assets	*12*	219,123,375	200,780,560
Deferred contract csts	*13*	21,092,779	22,172,850
Trade receivables	*14*	528,060,554	590,500,354
Other current assets	*15*	53,063,108	52,037,321
Cash and cash equivalents	*16*	252,014,831	191,870,292
TOTAL CURRENT ASSETS		**1,073,445,366**	**1,057,451,890**
TOTAL ASSETS (A + B + C)		**1,942,829,815**	**1,932,723,211**

Statementt of Financial Position—Liabilities	Note	31.03.2020	31.12.2019
		(in Euros)	
D) SHAREHOLDERS' EQUITY			
Share Capital	*18*	31,875,000	31,875,000
Reserves	*19*	501,286,895	498,227,139
Retained earnings	*20*	85,892,125	35,086,737
Profit for the period		8,015,420	51,900,485
Group Shareholders' Equity		**627,069,440**	**617,089,361**
Capital and reserves of non-controlling interests		(6,060,409)	1,962,707
Profit/(loss) for the period of non-controlling interests		234,577	(8,071,306)
TOTAL SHAREHOLDERS' EQUITY	*17*	**621,243,608**	**610,980,762**
E) NON-CURRENT LIABILITIES			
Non-current financial liabilities	*21*	188,018,256	197,485,888
Non-current lease liabilities	*22*	146,676,526	154,130,142
Deferred tax liabilities	*23*	159,396,958	162,880,181
Non-current provisions for risks and charges	*24*	3,653,163	4,686,023
Other non-current liabilitis	*25*	39,569,367	38,985,512
Post-employment benefits	*26*	74,081,190	74,412,000
TOTAL NON-CURRENT LIABILITIES		**611,395,459**	**632,579,745**
F) CURRENT LIABILITIES			
Current financial liabilities	*27*	147,215,987	108,085,253
Current lease liabilities	*28*	24,462,170	20,716,370
Current tax payables		6,995,423	5,496,524
Current provisions for risks and charges	*29*	13,434,795	15,087,070
Other current liabilities	*30*	153,952,629	172,240,417
Trade payables	*31*	364,129,744	367,537,070
TOTAL CURRENT LIABILITIES		**710,190,748**	**689,162,704**
G) TOTAL LIABILITIES (E + F)		**1,321,586,207**	**1,321,742,449**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (D + G)		**1,942,829,815**	**1,932,723,211**

Interim Condensed Consolidated Income Statement and Comprehensive Income Statement for the three months ended 31 March 2020

Income Statement	Note	Three Months Ended 31.03.2020	31.03.2019
		(in Euros)	
A) TOTAL REVENUES			
Revenues		302,041,086	292,068,170
Other revenues	*33*	8,696,403	6,609,882
TOTAL REVENUES	*32*	**310,737,488**	**298,678,051**
B) OPERATING EXPENSES			
Raw materials and consumables	*34*	15,092,930	5,625,127
Service costs	*35*	94,204,692	100,221,326
Personnel costs	*36*	168,419,613	159,589,960
Amortisation and Depreciation	*37*	14,705,091	13,291,377
Provisions	*38*	1,386,135	(146,209)
Other costs	*39*	2,471,389	2,864,608
TOTAL OPERATING EXPENSES		**296,279,850**	**281,446,188**
C) OPERATING PROFIT (A - B)		**14,457,639**	**17,231,863**
Financial income		1,578,846	1,122,378
Financial expenses		5,577,085	2,611,606
D) NET FINANCIAL INCOME (EXPENSES)	*40*	**(3,998,239)**	**(1,489,227)**
E) TOTAL INCOME (EXPENSES) FROM INVESTMENTS		**0**	**5,820**
F) PROFIT BEFORE TAXES (C + D + E)		**10,459,399**	**15,748,456**
G) INCOME TAXES		2,209,402	3,653,524
H) NET PROFIT FROM CONTINUING OPERATIONS (F - G)		**8,249,997**	**12,094,932**
I) CONSOLIDATED PROFIT FOR THE PERIOD (H + I)		**8,249,997**	**12,094,932**
Non controlling interest		234,577	493,646
Attributable to shareholders of the parent		8,015,420	11,601,287

Comprehensive Income Statement	Note	Three Months Ended 31.03.2020	31.03.2019
		(in Euros)	
L) PROFIT FOR THE PERIOD		**8,249,997**	**12,094,932**
M) OTHER COMPREHENSIVE INCOME STATEMENT ITEMS			
Actuarial gains/(losses) of the employee defined plans		(776,780)	(1,791,727)
Tax effect related to Other comprehensive profit/(loss) which will not be reclassified in Profit/(loss) for the year		186,427	430,014
Total Other comprehensive income/(loss) which will not be reclassified in Profit/(Loss) for the year, net of tax effect		**(590,353)**	**(1,361,713)**
N) Total Other comprehensive income/(loss) which will be reclassified in Profit/(Loss) for the year			
Exchange gains/losses on non Euro accounts		(1,683,648)	(204,292)
Total Other comprehensive income/(loss) which will be reclassified in Profit/(Loss) for the year, net of tax effect		**(1,683,648)**	**(204,292)**
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX EFFECT		**(2,274,001)**	**(1,566,005)**
O) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (L + M + N)		**5,975,996**	**10,528,927**
Non controlling interest		205,101	473,347
Attributable to shareholders of the parent		5,770,896	10,055,581

Interim Condensed Statement of changes in Consolidated Shareholders' Equity for the period end 31 March 2020

(in Euros)

	GROUP SHAREHOLDERS' EQUITY						
Description	**Share Capital**	**Reserves**	**Retained earnings/(Losses carried forward)**	**Profit for the year**	**Group Shareholders' Equity**	**Non-controlling interests**	**TOTAL Shareholders' Equity**
Note	**18**	**19**	**20**				**17**
Balance 01.01.2019	**31,875,000**	**497,264,761**	**26,763,190**	**55,211,805**	**611,114,756**	**4,709,455**	**615,824,211**
Net profit for the year				11,601,287	11,601,287	493,646	12,094,932
Other net comprehensive items		(204,292)	(1,341,414)		(1,545,706)	(20,299)	(1,566,005)
Comprehensive income for the year	—	(204,292)	(1,341,414)	11,601,287	10,055,581	473,347	10,528,927
Allocation of the residual result of the previous year to retained earnings			55,211,805	(55,211,805)	—		—
Dividends distribution							
Share based compensation plans		2,475,636			2,475,636		2,475,636
Put/Call Option detection							
Change in interests in subsidiaries and scope of consolidation							
Reverse Merger							
Other changes		204,292	2,328,126		2,532,418	31,872	2,564,290
Transactions with shareholders and other movements		2,679,928	57,539,931	(55,211,805)	5,008,054	31,872	5,039,926
Balance as of 31.03.2019	**31,875,000**	**499,740,397**	**82,961,707**	**11,601,287**	**626,178,391**	**5,214,673**	**631,393,064**
Balance as of 31.12.2019	**31,875,000**	**498,227,139**	**35,086,737**	**51,900,485**	**617,089,361**	**-6,108,600**	**610,980,761**
Net profit for the year				8,015,420	8,015,420	234,577	8,249,997
Other net comprehensive items		(1,683,648)	(560,876)		(2,244,524)	(29,477)	(2,274,001)
Comprehensive income for the year	0	(1,683,648)	(560,876)	8,015,420	5,770,896	205,101	5,975,996

(in Euros)

Description	Share Capital	Reserves	Retained earnings/(Losses carried forward)	Profit for the year	Group Shareholders' Equity	Non-controlling interests	TOTAL Shareholders' Equity
	GROUP SHAREHOLDERS' EQUITY						
Note	**18**	**19**	**20**				**17**
Allocation of the residual result of the previous year to retained earnings			51,900,485	(51,900,485)	0		0
Dividends distribution					0		0
Share based compensation plans		5,010,531			5,010,531		5,010,531
Put/Call Option detection		(267,127)			(267,127)		(267,127)
Change in interests in subsidiaries and scope of consolidation					0	77,666	77,666
Other changes			(534,221)		(534,221)		(534,221)
Transactions with shareholders and other movements	0	4,743,405	51,366,264	(51,900,485)	4,209,184	77,666	4,286,850
Balance as of 31.03.2020	**31,875,000**	**501,286,895**	**85,892,125**	**8,015,420**	**627,069,440**	**-5,825,832**	**621,243,608**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Description	Three Months Ended 31.03.2020	31.03.2019
Cash Collected from The Sales Of Products/Services—Third Parties	370,753,638	326,213,249
Cash Paid For Goods And Services—Third Parties	(147,075,799)	(166,684,565)
Personnel Costs	(170,740,116)	(162,407,049)
Interest Received	9,459	11,553
Interest Paid For Operating Activities	(87,665)	(75,137)
Exchange Differences	(375,101)	(16,597)
Income Tax Payments And Reimbursements	(10,488,860)	(18,900,130)
A) TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**41,995,556**	**(21,858,674)**
Sale Of Property, Plant And Equipment	352,100	7,444
Purchase Of Property, Plant And Equipment	(1,836,714)	(2,692,035)
Purchase Of Intangible Assets	(2,906,258)	(1,451,331)
Consideration Paid For Acquisition Of The Business	(2,790,844)	(5,213,116)
B) TOTAL CASH FLOW FROM INVESTING ACTIVITIES	**(7,181,715)**	**(9,349,038)**
New Loans	80,984,895	28,019,867
Repayment of Loans	(50,338,509)	(18,874,788)
Change In Capital	0	13,250
Interest Paid For Financing Activities	(466,622)	(362,390)
Repayment Of Lease Liabilities	(4,849,066)	(253,415)
C) TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**25,330,697**	**8,542,524**
D) = (A+B+C) CHANGE IN CASH AND CASH EQUIVALENTS	**60,144,539**	**(22,665,189)**
E) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**191,870,292**	**177,502,797**
G) = (D+E+F) CASH AND CASH EQUIVALENTS AT END OF YEAR	**252,014,831**	**154,837,608**

Notes to the Unaudited Condensed Consolidated Financial Statements

1 General information

Engineering Ingegneria Informatica S.p.A. (hereinafter the "Company" or "Engineering") and its subsidiaries (hereinafter "Engineering Group" or the "Group") is the leading domestic provider of integrated ICT services, products and consultancy. It was established in Padua on 6 June 1980.

With approx. 11,500 employees, around 50 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approx. 13% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking, Energy & Utilities, Healthcare and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (Aosta), Turin, Vicenza and Milan, which manages approx. 300 clients.

The Group operates in Software and IT Services with a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OVER.IT) and mobile platforms for TLC.

During the period the worldwide lived a recent and rapid development of the Coronavirus epidemic, where many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures.

The coronavirus epidemic occurred in China in December 2019 and continued to evolve gradually. On 30 January 2020, the WHO International Emergency Standards Committee declared the epidemic a "public health emergency of international concern". Since then, more cases have been diagnosed, including in other countries.

In Italy, the pandemic initially affected the Northern regions and subsequently spread to the rest of the country. The Italian government issued several decrees of the Presidency of the Council of Ministers, which have introduced increasingly restrictive measures for commercial activities and social aggregation in order to contain the risk of contagion. In this context, preceding the decree of the Italian Government, which came into force on 23 March 2020, and temporarily suspended all non-essential production activities, the Group has progressively limited activities to customers and / or operating offices being able to work in smart working. Indeed, the use of cloud systems and advanced individual productivity systems have allowed a rapid reconfiguration of activities in smart working mode ensuring the safety of the Group's employees and the continuation of the activities contracted with customers. In addition, Engineering as part of its activities is able to manage remotely the workstations of customers turning them into a "Digital Workplace"; this technology helps and supports the new way of working required in the current scenario.

In the current complex market situation we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. In this context, all sectors are increasing demands for digitization, from Workplace to remote maintenance, as well as using data management platforms to facilitate decisions.

There may be a slowdown in cash collections from certain customers, who may be impacted more significantly by the Covid-19 emergency, compared to what was expected. In any case, the diversification of the sectors in which the Group's customers operate (Public Administration, Finance, Healthcare, Industry, Transportation, Telco & Media, Energy & Utilities) and the good financial condition, the availability of liquidity and credit lines already approved, are elements mitigating the potential financial and liquidity risk. Moreover, even in a context of general uncertainty related to the effects of Covid-19 at the current time the Directors did not identify critical elements to compromise the compliance with the covenants. In particular, the level of available liquidity should enable the Group to face the coming months, albeit in a context of uncertainty, without recourse to additional sources of funding. However, at the current stage of the COVID-19 context, the scenarios of medium-long term of the Group did not detect clear risks of impairment of the values recorded in the financial statements as at 31 March 2020.

The pandemic caused by COVID-19 has resulted, and is likely to continue to result, in significant national and global economic disruption. Based on the Company's current assessment, the Company does not expect any material impact on its existing development timeline and its liquidity due to the worldwide spread of the

1 General information (Continued)

COVID-19 virus, nor has it incurred impairment of any assets as a result of COVID -19. However, the Company is actively monitoring this situation and the possible effects on its business, results of operations and financial condition, including expenses and employee-related amounts through temporary Government subsidy programs (so called “Cassa integrazione”). In particular, we transitioned substantially all of our approximately 11,600 employees to remote working. Additionally, to manage our cost structure and reduce our cash burn, in connection with the COVID-19 pandemic, we reduced our travel and marketing costs and placed a limited number of our projects as well as employees within certain specific functions (such as our internal travel agency) on temporary government subsidy programs. The COVID-19 pandemic’s impact on our supply chain is limited as our suppliers and partners are able to work remotely and our reliance on physical product deliveries is limited.

Even in a context of general uncertainty related to the effects of Covid-19, based on the Company’s current operating business plan and existing cash and cash equivalents the Company has determined that there aren’t significant uncertainties regarding its ability to continue as a going concern.

At the date of preparation of these Unaudited Interim Condensed Consolidated Financial Statements as of and for the three months ended 31 March 2020, MIC Topco S.a.r.l. is the sole shareholder of Engineering Ingegneria Informatica S.p.A. MIC Topco S.a.r.l. does not exercise management and coordination activities, as defined by Article 2497 of Italian Civil Code, with regard to Engineering Ingegneria Informatica S.p.A.

These unaudited interim condensed consolidated financial statements as of and for the three months ended 31 March 2020, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. in the meeting of 10 June 2020.

1.1 Acquisitions for the period

Acquisition of control of F.D.L. Servizi S.r.l

By deed dated 7 February 2020 Engineering Ingegneria Informatica S.p.A. acquired control of F.D.L. Servizi S.r.l. thorugh a 95% stake in the share capital. At 31 March 2020, the Group paid part of the acquisition price of Euro 2,500 thousand; the remaining Euro 2,977 thousand will be paid within the first quarter of the following year.

FDL Servizi S.r.l. is a technology company based in Breno, Brescia, which, through its suite of Products “Sistema Servizio Energia”, leads the market of energetic technological plants’ conduction and management, related to thermal power station, cogeneration plants, cooling and heating systems, with the integrated use of renewable energy. The company provides software products and services for management and information needs of private Energy Service Providers, Utilities and Local Public Administration, aimed at monitoring their plants and buildings’ energy efficiency and consumption reduction’s projects.

For the purposes of preparing these unaudited condensed consolidated financial statements, the transaction was accounted for, in accordance with IFRS 3, using the acquisition method which led to the provisional estimate of the fair value of the assets acquired and liabilities assumed.

The non-controlling interests was determined on the basis of the share of the current values attributed to the assets and liabilities at the date of taking control, excluding any goodwill attributable to them.

1 General information (Continued)

The following table shows the provisional fair values at the acquisition date of the assets acquired and liabilities assumed:

Net assets acquired	Provisional fair value of net assets acquired
	(in Euros)
Property plant and equipment	15,498
Intangible assets	156,327
Right of use	39,598
Other non-current assets	10,264
Trade receivables	1,291,884
Cash and cash equivalents	9,156
Other current assets	149,139
Non-current financial liabilities	(14,993)
Non-current lease liabilities	(25,926)
Other non-current liabilities	(88,051)
Current financial liabilities	(1,933)
Current lease liabilities	(13,679)
Other current liabilities	(815,894)
Provisional fair value of net assets acquired	**711,391**
Shareholding acquired	95.0%
Acquisition cost	5,477,178
Shares held by non-controlling interests	5.0%
Non-controlling interests	35,570
Goodwill	**4,801,357**
Cash and cash equivalents	(9,156)
Net outflow resulting from the acquisition	**5,468,022**

In accordance with IFRS 3, in the Unaudited Interim Condensed Consolidated Financial Statements of 31 March 2020 the fair value of the assets and liabilities of F.D.L. Servizi *S.r.l.* is provisionally reported by ascribing the difference between the acquisition cost and the acquired assets net of assumed liabilities to goodwill (Euro 4.8 million). Specifically, it was considered appropriate to temporarily recognize the carrying amounts of assets and liabilities, already recognized in F.D.L. Servizi *S.r.l.*'s financial statements, properly adjusted to make them compliant with the accounting standards and evaluation methods applied in the preparation of these Unaudited Interim Condensed Consolidated Financial Statements.

As required by IFRS 3, the goodwill arising from the above accounting transaction was allocated to CGU "F.D.L. Servizi".

Based on the ongoing evaluation activities, the following balance sheet items could be impacted: intangible assets, deferred tax assets and liabilities and related economic effects.

The provisional fair value of the receivables acquired and the gross contractual amounts receivable is Euro 1.3 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

The full consolidation from the acquisition date of the business combination led to the recognition of revenues and loss in the unaudited interim condensed consolidated financial statements of Engineering group, equal respectively to Euro 0.1 million and (Euro 0.01 million).

If the acquired company had been fully consolidated since 1 January 2020, the Engineering Group's consolidated revenues and consolidated net profit for 2020 would have been respectively greater than Euro 0.3 million and 0.01 million.

1 General information (Continued)

1.2 Purchase of investments in subsidiaries

During the first quarter of 2020, the Group paid the amounts due for the acquisition of control of the following companies and business units.

The table below shows details of the main cash payments and cash and cash equivalents acquired:

31.03.2020	FDL Servizi S.r.l.	Cybertech S.r.l.	Total
			(in Euros)
Cash payments leading to obtaining control (A)	2,500,000		2,500,000
Cash and cash equivalents acquired (B)	(9,156)		(9,156)
Advance payment		300,000	300,000
Cash flow for the purchase of subsidiaries investments net of cash and cash equivalents D = A+B	**2,490,844**	**300,000**	**2,790,844**

2 Form, contents and accounting standards

These unaudited interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared solely for the purposes of their inclusion in the offering memorandum prepared for the issue of senior floating rate covered bonds.

Such condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission.

The condensed consolidated interim financial statements have been prepared on a going concern basis, which covers a period of at least twelve months from the date of the interim condensed consolidated statement of financial position.

The accounting policies and the critical judgements in applying the accounting polices during the three months ended March 31, 2020 are consistent with those described in the Group’s annual financial statements referred above.

Key sources of estimation uncertainty

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources.

However, actual results could differ from those estimates. Estimates and assumptions periodically revised and changes are immediately reflected in the income statement.

The items that are mostly influenced by estimates are the calculation of amortisation/depreciation, impairment tests on assets (including measurement of receivables), provisions for allocations, employee benefits, fair value of financial liabilities, deferred tax assets and liabilities and customer contracts assets. For a better understanding of the financial statements, the main estimates utilised in the drawing up of the financial statements are shown hereunder and involve the use of subjective opinions, assumptions and estimates related to issues that are uncertain by nature. The changes in conditions underlying the opinions and assumptions might have a significant impact on the following financial years.

2 Form, contents and accounting standards (Continued)

Impairment of assets (Goodwill Euro 110 million and Trademark Euro 453 million)

As explained in more detail in note 8 hereof, for the calculation of the value in use of Cash Generating Units, the Group has taken into account, with reference to the specified period, the expected trends resulting from the budget for 2020 and, for subsequent years, the forecasts included in the 2020 - 2022 multi-year plan. The impairment test carried out on the basis of these forecasts did not generate any write-downs.

Purchase Price Allocation (IFRS 3)

As explained in the paragraph "Acquisition for the year", the recognition of business combination transactions implies the allocation of the payment of acquisition to the assets and liabilities of the acquired company, which are evaluated at fair value.

The possible difference, if positive, is recorded as goodwill; if negative, it is recorded in the income statement.

In the process of assigning amounts to certain asset items, the Group applied estimates to determine their fair value. To determine fair value, the Group used valuation methods, including discounted cash flow analysis. To calculate the present value of future cash flows, it is necessary to formulate some assumptions regarding uncertain issues, including management's expectations regarding:

- Marginality of customer portfolios;
- The probability of renewal of contracts with customers;
- The selection of the discount rate that reflects the risk.

The Group's estimates are based on assumptions deemed reasonable, but uncertain and foreseeable. These assessments require the use of management assumptions, which may not reflect unpredictable events.

Receivable from Sicilia Digitale S.p.A.

As explained in more detail in note 14, trade receivables include receivables from Sicilia Digitale S.p.A., which amounted to Euro 109,291,672 at 31 March 2020 (not including the related doubtful debt provision amounting to Euro 27,377,522 and the related doubtful debt provision for interest on arrears amounting to Euro 36,693,048), in addition to Euro 14,526,757 of customer contract assets.

These amounts were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region, within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation ("SISEV" or "Venture") on 21 May 2007 and expired on 22 December 2013.

The Board of Directors, considering the legitimacy of the receivables for the services provided, assessing the appraisal delivered by the independent expert as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand as seriously omissive and erroneous and supported by the opinion of the legal sponsor, stated that the receivables from Sicilia Digitale S.p.A. are collectable.

In any case, considering the continuous change of institutional interlocutors and the difficulty of achieving an amicable agreement, considering the legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, the Group recognised the interest set out by law pertaining to the period considered (Euro 1.4 million) in the income statement and under Financial income, in addition to the amount already recognised until 31 December 2019 (for a total amount of Euro 36.7 million), and accrued additional provision for Euro 1.4 million for a total allowance for allowance for expected credit losses of Euro 64.0 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable.

2 Form, contents and accounting standards (Continued)

Below is the Group's exposure to the counterparty as of 31 March 2020

Description	March 31, 2020
	(in Euro million)
Trade Receivables and Customer Contract Assets	123.8
Allowance for bad debt	(64.0)
Total	**59.7**

Trade Receivables

Management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage. Expected credit losses are recognized based on management's best estimates at the reporting date.

During the first quarter of 2020, the Group has not identified any collection issues regarding the trade receivables. Main businesses on which the customers operates have not had material impacts. Public sector and healthcare are receiving more resources for investments. Finance, Telco & Media and Energy & Utilities do not represent business with issues in relation to COVID-19 and are large companies with good credit standing. Manufacturing industry could be segment with more impact, however in this sector the customers are large companies and other primary manufacturing companies.

The Group believes the impact of COVID-19 regarding the collectability of receivables will be minimal. Group believes that the impact of COVID-19 may result in a reduction of the backlog portfolio, however, as of today, no significant reduction was noted by management. After assessing historical and forward-looking information, the Group believes that there has not been a significant impact on expected credit losses.

Fair value of options of non-controlling interest

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the options, was determined using the discounted operating cash flow method using the plan of the subsidiary involved.
The exercise prices are determined on the basis of the agreements contained in the option agreements signed by the Group.

Lease term

The Group analyzed all the lease agreements, defining the lease term for each of them, given by the "non-cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for real estate, this evaluation considered the specific facts and circumstances of each activity. As for the other categories of goods, mainly company cars and equipment, the Group has generally deemed it unlikely to exercise any extension or early termination clause in consideration of the practice usually followed by the Group. For the buildings, the Group, in assessing the lease terms, chose, based on business development plans, to consider, in addition to the non-cancellable period, the first renewal period as reasonably certain, not believing that there were facts or circumstances that led to consider additional renewals as reasonably certain.

3 Accounting principles

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or at amortized cost at the end of each reporting period. The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 December 2019.

3 Accounting principles (Continued)

Changes in the consolidation scope compared to 31 December 2019, relate to transactions carried out during the period as summarised below:

- on 7 February 2020, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 95% of the shares of the subsidiary FDL Servizi S.r.l.

4 New IFRS and IFRIC interpretation

The following new international financial reporting standard, applicable from 1 January 2020, was adopted during the period:

- On 22 October 2018, the IASB published the document "Definition **of a Business (Amendments to IFRS 3)**". Considering that this amendment is applied to new acquisition transactions that will be concluded as from 1 January 2020.
- On 31 October 2018, the IASB published the document "Definition **of Material (Amendments to IAS 1 and IAS 8)**".
- Amendments to References to the Conceptual Framework in IFRS Standards (Conceptual **Framework)**. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020.
- On 26 September 2019, the IASB published the document entitled "Interest **Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)**", which has amended certain of the requirements for the application of hedge accounting, introducing temporary exemptions to such requirements.

These new IFRS standards and amendments has not any significant impact on interim condensed consolidated financial statement as of and for three months period 31 March 2020.

5 Seasonality of Group transactions

The activities of the Company are not subject to seasonality directly related to the type of business.

6 Segment information

The Management considers the Group as six operating segments under IFRS 8.

Information reported to Group's Chief Executive (the Chief Operating Decision Maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on the skills and reference market and reflect the business model which is currently split in 6 industries:

- Finance: refers to the IT services provided to banks, insurance companies and financial institutions;
- Public Administration: refers to the IT services provided to central and local public administration;
- Health refers to the IT services provided to healthcare;
- Industry & Services refers to the IT services provided to large and medium-sized corporations;
- Telco & Media refers to the IT services provided to telecommunication companies and other media corporations;
- Energy & Utilities refers to the IT services provided TO players in the energy and utilities markets

The accounting policies of operating segments are the same as the Group's accounting policies. Adjusted EBITDA represents the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

6 Segment information (Continued)

Revenues and direct costs are allocated in relation to the related industry. The other income and operating expenses, not specifically attributable to segment, have been attributed in relation to their contribution margins, that represents the most appropriate driver to allocate them.

The following is an analysis of the Group's revenue by operating segment:

	Three Months Ended			
DESCRIPTION	**31.03.2020 (unaudited)**		**31.03.2019 (unaudited)**	
	(in Euros)			
REVENUES				
Finance	68,033,122	22.52%	59,446,204	20.4%
Public Administration	64,236,783	21.27%	59,773,676	20.5%
Health	18,766,088	6.21%	15,314,976	5.2%
Industry & Services	69,000,000	22.84%	68,569,232	23.5%
Telco & Media	34,080,740	11.28%	43,808,670	15.0%
Energy & Utilities	47,924,353	15.87%	45,155,412	15.5%
REVENUES	**302,041,086**	**100.0%**	**292,068,170**	**100.0%**
Other revenues	8,696,403		6,609,882	
TOTAL REVENUES	**310,737,489**		**298,678,051**	

There are not any intersegment revenues.

The Group's revenues from its major service lines are disclosed in note 31.

The following is an analysis of the Group's Adjusted EBITDA by operating segment:

	Three Months Ended			
DESCRIPTION	**31.03.2020 (unaudited)**		**31.03.2019 (unaudited)**	
	(in Euros)			
ADJUSTED EBITDA				
Finance	13,189,329	37.1%	12,494,784	37.6%
% of revenues	19.4%		21.02%	
Public Administration	5,333,763	15.0%	6,430,107	19.4%
% of revenues	8.3%		10.8%	
Health	4,022,333	11.3%	1,791,699	5.4%
% of revenues	21.4%		11.7%	
Industry & Services	5,170,548	14.5%	5,293,451	15.9%
% of revenues	7.5%		7.7%	
Telco & Media	2,732,210	7.7%	3,765,484	11.3%
% of revenues	8.0%		8.6%	
Energy & Utilities	5,149,442	14.5%	3,454,751	10.4%
% of revenues	10.7%		7.7%	
TOTAL ADJUSTED EBITDA	**35,597,624**	**100.0%**	**33,230,275**	**100.0%**
% of revenues	11.8%		11.4%	

6 Segment information (Continued)

Adjusted EBITDA Reconciliation:

	As of and for the three months Ended 31 March	
	2020	2019
	(in Euro million)	
Adjusted EBITDA	**35.6**	**33.2**
Stock option costs	(5.0)	(2.5)
Corporate strategic assessment expenses	—	(0.4)
Depreciation of PP&E	(2.0)	(1.9)
Depreciation of right of use	(4.9)	(4.9)
Amortisation	(7.7)	(6.4)
Provision	(1.4)	0.1
Financial income	1.6	1.1
Income from investments	—	—
Financial expenses (excluding interest on lease liabilities)	(5.2)	(2.3)
Interest on lease liabilities	(0.4)	(0.3)
Profit before taxes	**10.5**	**15.7**

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the intangible assets and goodwill attributable to each segment.

The following is an analysis of the Group's intangible assets and goodwill by operating segment:

	31 March 2020					31 December 2019				
Description	**Customer List**	**Corporate Intangible Assets**	**Total Intangible Assets**	**Goodwill**	**Total**	**Customer List**	**Corporate Intangible Assets**	**Total Intangible Assets**	**Goodwill**	**Total**
					(in Euros)					
Finance	30,819,424	0	**30,819,424**	46,889,553	**77,708,977**	34,555,332	0	34,555,332	46,889,553	81,444,885
Public Administration	1,856,683	0	**1,856,683**	17,193,490	**19,050,173**	2,003,263	0	2,003,263	17,193,490	19,196,753
Health	0	0	**0**	6,739,383	**6,739,383**	0	0	0	6,739,383	6,739,383
Industry & Services	19,945,644	0	**19,945,644**	14,992,453	**34,938,097**	21,671,142	0	21,671,142	15,131,000	36,802,142
Telco & Media	0	0	**0**	10,384,415	**10,384,415**	0	0	0	10,384,415	10,384,415
Energy & Utilities	0	0	**0**	16,317,986	**13,687,986**	0	0	0	11,516,629	11,516,629
Total Segment Assets	**52,621,751**	**0**	**52,621,751**	**112,517,279**	**162,509,029**	**58,229,737**	**0**	**58,229,737**	**107,854,469**	**166,084,206**
Uncollocated Assets	**0**	**475,566,126**	**475,566,126**	**0**	**475,566,126**	**0**	**475,270,867**	**475,270,867**	**0**	**475,270,867**
Consolidated total Assets	**52,621,751**	**475,566,126**	**528,187,877**	**112,517,279**	**162,509,029**	**58,229,737**	**475,270,867**	**533,500,604**	**107,854,469**	**641,355,073**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A) NON-CURRENT ASSETS

7 Property, plant and equipment

Description	**31.03.2020**	**31.12.2019**	**Change**
		(in Euros)	
Property, plant and equipment	28,685,405	29,792,652	(1,107,246)

7 Property, plant and equipment (Continued)

Description	Lands and buildings	Plant and machinery	Ind. And Comm. Equipment	Other assets	Leasehold improv.	Total
			(in Euros)			
Historical Cost as of 31.12.2019	9,003,069	6,827,563	29,353,782	7,151,908	848,195	53,184,563
Accum. Deprec. As of 31.12.2019	993,535	3,164,562	16,654,832	2,394,794	184,188	23,391,911
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**
Historical cost as of 31.03.2020	8,988,871	6,845,368	29,191,119	7,694,921	729,441	53,449,720
Accum. Deprec. as of 31.03.2020	1,077,318	3,432,013	17,197,073	2,872,417	185,493	24,764,314
Balance as of 31.03.2020	**7,911,553**	**3,413,354**	**12,001,569**	**4,814,981**	**543,902**	**28,685,405**

The changes in property, plant and equipment in the period were as follows:

Description	Land and buildings	Plant and machinery	Ind. and Comm. Equipment	Other assets	Leashold improv.	Total
			(in Euros)			
Balance as of 01.01.2020	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**
Exchange difference effect	(14,198)	(2,468)	(74,418)	(36,349)	(104,198)	(231,631)
Increase	0	34,808	815,565	440,073	37,415	1,327,861
Disposal	0	0	(98,373)	(71,613)	(60)	(170,046)
Depreciation	(83,783)	(281,986)	(1,343,237)	(286,660)	(53,262)	(2,048,928)
Business Combination	0	0	3,082	12,416	0	15,498
Balance as of 31.03.2020	**7,911,553**	**3,413,354**	**12,001,569**	**4,814,981**	**543,902**	**28,685,405**

All property, plant and equipment are operational and effectively utilised in company operations and there are no obsolete assets requiring replacement in the short-term, which were not depreciated.

- The addition in Industrial and Commercial equipment relates to the purchase of computer for internal use, while the decrease is due to the disposal and/or donation of obsolete computers.
- The addition in "Other assets" refers to the purchase of furniture and fittings

8 Intangible assets

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Intangible assets	528,187,877	533,500,604	(5,312,727)

Description	Developments costs	Ind. Patents Ind. Op. Prop.	Conc., licenses and trademarks	Assets in progress	Customer Relationship / Customer list	Total
			(in Euros)			
Historical Cost as of 31.12.2019	28,664,603	23,000,004	453,087,872	7,303,758	138,353,731	632,282,925
Accum. amortis. as of 31.12.2019	22,891,435	13,861,054	32,880	0	80,123,994	98,782,321
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**
Historical Cost as of 31.03.2020	14,185,512	23,137,286	453,087,901	6,148,225	138,387,294	634,946,218
Accum. amortis. as of 31.03.2020	5,461,032	15,495,422	36,344	0	85,765,543	106,758,341
Balance as of 31.03.2020	**8,724,480**	**7,641,865**	**453,051,557**	**6,148,225**	**52,621,751**	**528,187,877**

8 Intangible assets (Continued)

The changes in intangible assets are detailed as follows:

Description	Development costs	Ind. Patents Ind. Op. Prop.	Conc., licenses and trademarks	Assets in progress	Customer Relationship / Customer list	Total
			(in Euros)			
Balance as of 01.01.2020	**5,773,167**	**9,138,951**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**
Business combination	108,248	48,080	0	0	0	156,327
Exchange difference effect	(33,775)	(147,131)	23	0	(45,352)	(226,235)
Increase	27,946	30,546	0	2,387,124	96,821	2,542,435
Reclass	3,542,656	0	0	(3,542,656)	0	0
Disposal	0	(60,929)	0	0	0	(60,929)
Amortisation	(693,761)	(1,367,652)	(3,458)	0	(5,659,455)	(7,724,326)
Balance as of 31.03.2020	**8,724,480**	**7,641,865**	**453,051,557**	**6,148,225**	**52,621,751**	**528,187,877**

Intangible assets reported a total addition of Euro 6.1 million, mainly due to:

- The increase of "Development costs" mainly refers to internal products, reclassified from "Asset in progress" in use since 2020 with resulting start of their amortisation:
  - For Euro 1.291 thousand to the products known as "Electornic medical report" and "Diagnostic therapeutic care path" of the Health area, created internally, in use since 1 January, 2020 and whose amortisation period is 5 years;
  - For Euro 924 thousand to the product known as "NET@4SETTLEMENT" of the Utilities area, created internally, in use since 1 January, 2020, whose amortisation period is 5 years;
  - For Euro 1.329 thousand to the product known as "*Data Retention System"* of the TLC area
- "Assets in progress" increased by Euro 2.4 million due to internal investments in new solutions:
  - In the Finance area, the product known as "Production placement solution" is under development. The project has a total cost of Euro 2 million over two years. Completion is expected in 2020. The costs incurred until 31 March 2020 amounted to Euro 1.860 thousand of which Euro 165 thousand in the first quarter of 2020.
  - In the Utilities area, in addition to a module known as "Upstream", started in 2019 which will end in 2020, costs incurred until March 2020 amount to Euro 96 thousand, a new product is being developed called "Distribution system", costs incurred in the first quarter of 2020 amount to Euro 730 thousand.
  - In the Health area, in the first quarter of 2020, some upgrades to the Suite of AREAS products were developed, involving a number of modules. The investment amounted to Euro 1,248 thousand. The products concerned will be in use from 1 April 2020, the amortization period is expected to be three years.

In addition, the product called "OT ellisse", whose investment amounts to Euro 400 thousand, is expected to be completed by the end of 2020. Costs incurred in the first quarter of 2020 amount to Euro 46 thousand.

The item "Concessions, licences and trademarks" includes the Trademark, amounting to Euro 453 million, referring to the Engineering brand. This value was recognized in 2017 upon completion of allocation of the purchase price for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco and subsequent reverse merger of Mic Bidco into Engineering Ingegneria Informatica S.p.A.

8 Intangible assets (Continued)

Description	As of 31 December 2019	Change in consolidation scope	Write-downs	As of 31 March 2020
		(in Euro)s		
Gross value—Trademark	453,03,362	0	0	**453,039,362**
Acc. impairment losses	—	—	—	**—**
Net value—Trademark	**453,039,362**	**0**	**0**	**453,039,362**

9 Rights of use

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Right of use and leased assets	169,071,826	173,372,063	(4,300,237)

Description	Land & Building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
			(in Euros)			
Historical Cost as of 31.12.2019	173,528,494	273,674	8,894,658	14,115,977	97,330	196,910,133
Accum. Amort. as of 31.12.2019	(15,886,117)	(104,703)	(3,234,962)	(4,279,471)	(32,817)	(23,538,071)
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**
Historical Cost as of 31.03.2020	173,634,306	300,220	9,086,130	15,297,118	97,330	198,415,104
Accum. Amort. as of 31.03.2020	(19,917,575)	(129,637)	(3,979,523)	(5,273,946)	(42,598)	(29,343,278)
Balance as of 31.03.2020	**153,716,731**	**170,583**	**5,106,607**	**10,023,172**	**54,733**	**169,071,826**

Description	Land & Building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
			(in Euros)			
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**
Exchange difference effect	(161,939)	98	108,095	(76,641)	0	(130,388)
Increase	2,086,511	26,380	204,770	1,625,221	0	3,942,881
Decrease	(1,838,756)	0	18,916	(152,521)	0	(1,972,361)
Amortization & Depreciation	(4,011,462)	(24,866)	(884,868)	(1,248,991)	(9,780)	(6,179,968)
Change in consolidation scope	0	0	0	39,598	0	39,598
Balance as of 31.03.2020	**153,716,731**	**170,583**	**5,106,607**	**10,023,172**	**54,733**	**169,071,826**

The Group has several assets including buildings, cars and IT equipment identified as leases. The average life is 6, 2 and 3 years respectively.

The lease contracts do not have any further significant extension option respect to lease term considered to determine the lease liability. Lease contracts do not have any significant variable lease payments, any restrictions nor covenants and no sale and leaseback transactions were occurred during the period.

The “Other IFRS 16 assets” refer entirely to cars under operating lease, assigned to employees and its amortisation has been reclassified under personnel costs.

9 Rights of use (Continued)

The following table highlights the impact of IFRS 16 on Profit and Loss.

Description	31 march 2020
	(in Euros)
Depreciation of RoU	(6,179,968)
Interest expenses on leasing	(413,853)
Expenses of short term agreements	(260,876)
Expenses of lease agreements with a value < 5 thousand	(63,616)
Impact on P&L	(6,918,313)

10 Goodwill

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Goodwill	112,517,279	107,854,469	4,662,811

Changes in goodwill, compared to the previous year, divided by Cash Generating Units, is as follows.

Description	31.12.2019	Change in consolidation scope	Exch. rate difference	31.03.2020
		(in Euros)		
GOODWILL—FINANCE	16,344,694			16,344,694
GOODWILL—ENERGY & UTILITIES	9,662,147			9,662,147
GOODWILL—TELCO & MEDIA	6,819,242			6,819,242
GOODWILL—PAL & TAXES	12,450,598			12,450,598
GOODWILL—HEALTH	6,739,383			6,739,383
GOODWILL—MUNICIPIA MOBILITA’	4,142,891			4,142,891
GOODWILL—CYBERTECH	2,923,548			2,923,548
GOODWILL—DEUS TECHNOLOGY	30,134,045			30,134,045
GOODWILL—DIGITELEMATICA	3,299,428			3,299,428
GOODWILL—F.D.L.	0	4,801,357		4,801,357
GOODWILL—OTHER	15,338,492		(138,546)	15,199,946
Total	**107,854,469**	**4,801,357**	**(138,546)**	**112,517,279**

The value of goodwill as of 31.03.2020 recorded in the Engineering Group’s Consolidated Statement of Financial Position amounts to Euro 112,517,279.

The analysis was performed to determine the goodwill recoverable value, which was allocated to Cash Generating Units (CGUs) to which it is related.

CGU is defined as an asset or small group of assets that generate incoming cash flows that are widely independent from the incoming cash flows resulting from other assets or group of assets. The CGUs were determined based on the market segments and the single operating investees, consistently with the corporate Management view in terms of monitoring of results and economic planning.

We evaluate our goodwill and intangible assets with indefinite useful life for impairment indicators whenever events or changes in circumstances indicate that our investment in the asset may not be recoverable.

Despite the outbreak of the COVID-19 pandemic, the performance of first quarter of 2020 should be in line with 2019 and based on our forecasts, the management expects solid results for the public administration, health and finance.

Since the start of the pandemic, we have seen an increase in customer demand for digitization products and services, as companies and public administration entities have been forced to rely on their infrastructure and IT systems and have turned to remote work and to cloud-based solutions to perform their operations.

10 Goodwill (Continued)

As of March 31, 2020, our evaluation of impairment considered our new forecast that takes in consideration the estimated impacts and effects of the COVID-19 pandemic and considered that is there was significant headroom in the impairment test performed as of December 31, 2019. Therefore, the management deems that there aren't significant uncertainties in the recoverability of such goodwill or indefinite-lived intangible assets.

11 Deferred tax assets

Deferred tax assets were recognised among Assets both in the current period and in the previous period in so far, as their realisation as tax income is considered probable in the year in which these deferred tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Deferred tax assets	25,064,999	24,859,040	205,959

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates and recorded in the entries shown in the table hereunder:

	31.03.2020		31.12.2019	
Description	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
		(in Euros)		
Property Plant and Equipment—IAS Amortisation	1,079,408	129,469	2,650,894	472,636
Goodwill	283,926	79,215	309,384	86,318
Other current liabilities—Directors' fees	1,373,470	329,633	1,133,680	272,213
Bad Debt reserve	40,963,570	9,907,085	41,162,456	9,974,706
Provisions for risks	12,586,895	3,779,259	11,917,229	3,820,157
Current Provision for risk and charges—Leaving incentives	7,424,756	1,781,941	9,863,995	2,367,359
Financial leases	44,419	12,393	44,419	12,393
Tax losses	5,488,505	1,963,902	4,430,161	475,268
Adjustments for IFRS FTA	3,279,230	914,905	3,422,217	949,222
Post Employment Benefits—Adjustments for IAS 19	20,949,835	5,033,137	20,014,736	4,803,537
Deferred Contract Costs—Adjustments for IFRS 15	1,893,641	528,326	2,370,179	661,280
Other	2,182,944	605,733	2,977,648	963,951
Total	**97,550,599**	**25,064,999**	**100,296,999**	**24,859,040**

The "Other" item relates essentially to the tax impact on provisions for invoices to be issued and to be received relating to the subsidiary company Engineering do Brasil, which will produce effects at statutory financial statement level on their relative payment according to tax regulations in force in Brazil.

C) CURRENT ASSETS

12 Customer contract assets

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Customer contract assets	219,123,375	200,780,560	18,342,815

12 Customer contract assets (Continued)

Customer contract assets, recorded net of advances, is broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Customer contract assets	200,780,560	167,359,263	33,421,297
Exchange difference	(3,527,014)	(388,142)	(3,138,872)
Acquisitions		230,243	(230,243)
Adjustments and changes customer contract assets	349,377	1,526,724	(1,177,347)
Amount of costs incurred increased by profits recorded	119,595,006	570,762,656	(451,167,649)
Inv. actual progress customer contract assets	(98,074,554)	(538,710,184)	440,635,630
Total	**219,123,375**	**200,780,560**	**18,342,815**

Customer contract assets concern projects in the course of completion based on long-term contracts. They include, but are not limited to, adjustments for projects for which critical issues emerged as regards possible realisable value. The related amount is the best estimate made based on the information available to us. At 31 March 2020, there are not any indicator of expected credit loss for this caption.

The variation of period refers mainly to the increase of volumes shown on revenues and due to the acquisition of period. During this period, there were not any changes on contractual conditions.

With reference to this item in the financial statements, considering the current economic context and the current health emergency due to COVID-19, there were no significant impacts for the first quarter of the year; specifically, the Group was not subjected to penalties due to non-fulfilment of contractual obligations or withdrawal by customers, as the activities were carried out in smart working mode.

13 Deferred contract costs

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Deferred contract costs	21,092,779	22,172,850	(1,080,071)

The Group recognised deferred contract costs in relation to obtaining the contract represented by the so-called transition and start-up costs for Euro 7,668 thousand. These are costs directly associated with the performance of the service offered and, in particular, refer to the costs incurred for the taking over of orders (transition cost) or costs for specific training of personnel preparatory to the execution of a particular order (start-up cost). These costs are realised in the normal operating cycle.

The Group has also recorded contract costs in relation to the fulfilment of the contract for Euro 13,424 thousand. These are direct costs charged to orders, which include the purchase of materials from third parties, outside labour and the cost of employees.

The portions of cost released pertaining to 2020, determined on the basis of the ratio between the revenues accrued for the activities carried out at the reporting date and the total estimated revenues until the end of the contracts, amount to Euro 845 thousand for the so-called transition costs and start-up costs and Euro 1,930 thousand for the costs for the fulfilment of the contract.

14 Trade receivables

The book value of trade receivables and other receivables is shown at amortised cost and the value approximates the fair value. The value refers to receivables from banking institutes, utilities, industry, services, public administration and companies operating in the telecommunications market.

The type of Group operations justifies the high amounts of receivables such as the proportion due from Public Administration, contractual durations, the nature of the entity and the events such as the testing of projects. Trade receivables are all due within twelve months.

14 Trade receivables (Continued)

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Trade receivables	528,060,554	590,500,354	(62,439,800)

The breakdown is as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Customers	510,000,285	574,773,098	(64,772,813)
Others	18,060,269	15,727,256	2,333,012
Total	**528,060,554**	**590,500,354**	**(62,439,800)**

The Group applies the simplified approach of IFRS 9 to measure the expected credit loss on all trade receivables and customer contract assets at the lifetime expected credit losses.

Customer contact assets refer to invoices to be issued for contracts in progress, and have substantially the same risk characteristics as trade receivables for the same type of contracts.

The Group has therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of the losses on customer contract assets. The expected credit loss rates are based on the collection times over a period of 545 days prior to 1 January 2018, and the corresponding losses on historical receivables during that period. Historical loss rates are adjusted to reflect current and future macroeconomic conditions affecting customers' ability to repay loans. The Company has identified the average default rate of Italian companies for the two-year period 2018-2019 as a relevant factor for receivables from third parties, while it has identified the country risk of Italy as the main factor for receivables from the Public Administration. These factors were used to adjust the historical loss rates recorded.

On this basis, the allowance for bad debt to be subject to collective impairment as of 1 January 2018, was determined as follows. It should be noted that, on the basis of the model described above, there are no significant impacts such as to have to adjust the allowance for bad debt as of 31 March 2020, with reference to the expected credit loss.

The following table shows the trade receivables reconciled balance for invoices issued, divide by "overdue" and "not overdue".

		Overdue					
Description	Not overdue	30 days	60 days	90 days	120 days	over 120 days	Total al 31.03.2020
				(in Euros)			
Trade Receivables	170,876,603	39,640,260	57,719,030	8,581,963	6,699,638	100,628,068	384,145,562
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Allowance for expected credit loss	34,175	7,928	46,175	6,866	12,059	402,512	509,716

		Overdue					
Description	Not overdue	30 days	60 days	90 days	120 days	over 120 days	Total 31.12.2019
				(in Euros)			
Trade Receivables	299,428,232	56,376,078	17,841,994	6,797,655	5,966,719	101,025,130	487,435,809
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Allowance for expected credit loss	59,886	11,275	14,274	5,438	10,740	404,101	505,713

14 Trade receivables (Continued)

With reference to the past due date of outstanding receivables, considering the current economic context and the current health emergency due to COVID-19, there was no deterioration of credit positions for the first quarter of the year related to this situation. In any case, the diversification of the sectors in which the Group's customers operate (Public Administration, Finance, Healthcare, Industry, Transportation, Telco & Media, Energy & Utilities) constitutes a miting element of the potential credit solvency risk.

a) Customers

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Receivables on invoices issued	384,145,562	487,435,809	(103,290,246)
of which overdue	213,268,959	188,007,577	25,261,382
Invoices to be issued	217,914,120	178,577,326	39,336,794
Credit notes to be issued	(98,966)	(675,079)	576,113
Doubtful debt provision	(54,384,828)	(54,407,508)	22,679
Provision for interest in arrears	(37,575,603)	(36,157,450)	(1,418,153)
Total	**510,000,285**	**574,773,098**	**(64,772,813)**

The "Receivables from customers" item is equal to Euro 510,000,285, net of an allowance for bad debt amounting to Euro 54,384,828 sufficient to cover any future expected credit losses, in addition to allocations made as provision for interest in arrears (Euro 37,575,603) to cover any possible future losses related to the previously mentioned entry.

The closing balance of the allowance for bad debt of trade receivables is reconciled with the opening balance as shown below:

Trade receivables	31.03.2020
	(in Euros)
Allowance for bad as of 31.12.2019	**(54,407,508)**
Provision for the period	(1,436,445)
Write-off of receivables considered non-recoverable	1,459,125
Allowance for bad debt as of 31.03.2020	**(54,384,828)**

It is noted that, as of 31 March 2020, the Group factored trade receivables for the total amount of Euro 39,2 million (Euro 155,2 million as of 31 December 2019). The transfer was non-recourse, so risks and benefits related to receivables were transferred to the transferee; receivables were therefore written off from the Assets in the Unaudited Interim Condensed Consolidated Statement of Financial Position, according to the consideration received by factoring companies.

Receivables include the exposure as of March 31, 2020, with respect to Sicilia Digitale S.p.A equal to Euro 109,291,627 (including the related allowance for bad debt amounting to Euro 27,377,522), in addition to Euro 14,526,757 of customer contract assets, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation on May 21, 2007 and expired on 22 December 2013.

In order to obtain payment of the sums due, in the mutual interest, on 9 October 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an "Agreement" which regulated the repayment of SISEV receivables, indicating the final repayment date on 31 December 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections arose with respect to the correct performance of services rendered.

14 Trade receivables (Continued)

Given the non payments of Sicilia Digitale S.p.A., on 26 June 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,052 thousand (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Therefore, to safeguard its rights, on 18 July 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia Digitale S.p.A., up to the entire amounts receivable accrued by the company. On November 10, 2014, the Court of Palermo rejected SISEV's request while underlying that "given that, besides Sicilia e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.a.r.l. - ... Omitted ... there is no urgency (periculum in mora) ...". In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the first order decree, deposited on 3 September 2013, obtained in the amount of approximately Euro 30,052 thousand, the Judge ordered Office Technical Experts, to evaluate, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On 17 December 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,068 thousand was assessed in favour of Venture; therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346 thousand). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets involved in the payment claim were divided according to the existence or non-existence of approvals by the Management of Sicilia Digitale S.p.A. and/or the Region). After filing the supplementary expertise report, following the clarification of the conclusions of the parties involved, with a sentence dated 30 August 2018, the Judge ordered, among other things, Sicilia Digitale S.p.A. to pay SISEV Euro 19,508 thousand, plus interest at the rate indicated in the payment order. The Judge therefore confirmed the evaluations expressed by the experts, in the aforementioned supplementary expertise report, considering that only the services certified by SISEV's managerial figures were "recognised" by SISEV.

By a writ of summons on appeal notified on 18 February 2019, Sicilia Digitale appealed against the aforementioned judgment, asking for its complete reform. SISEV appeared with a cross-appeal response asking for recognition of the amounts not included in the Court's sentence. At the first hearing on 31 May 2019, SISEV requested, in agreement with Sicilia Digitale, postponement for negotiations, granted until 5 July 2019.

In fact, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV credit (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale for the recognition to them of a total amount of Euro 19.5 million (of which Euro 13.2 million in favour of Engineering and Euro 6.3 million in favour of Accenture), with waiver of the interest on arrears and which specifies, among other things, a plan for the repayment of the credit transacted gave the last forecast data expected on 1 May 2020. In addition, the transaction provides that the failure to comply with any time scans for the payment so agreed is provided, for the express provision of the agreement, the resolution of it and the possibility for the creditor parties (Engineering and Accenture) to act for the entire.

In the illustrated context, Sicilia Digitale S.p.A. has only partially complied with the credit repayment plan contained in the transaction; in fact, it should be noted that so far the amounts provided for by the same writing have not been paid since November 2019. For this reason, a special notice was sent on 3 February 2020 to fulfillment under penalty of termination of the transaction. However, to date, no further payment has been received, in so that it is being considered to proceed with the dissolution of the settlement agreement and the enforcement of the judgement for the higher amount indicated therein.

In addition to what has just been illustrated, on 18 February 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on October 9, 2012 by the Sicilian Region, Sicilia Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale S.p.A.,

14 Trade receivables (Continued)

appeared and filed objections including, but not limited to, the fact that the measure dated October 9, 2012 was invalid, the service contracts and related orders were null and void and Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of June 8, 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises.

On May 30, 2018, the technical experts appointed by the Court of Palermo sent the parties and their respective technical experts a draft of the expertise. Given the extent of this report, the Judge was first asked to extend the deadline for replies to the expertise; for this reason, the Judge granted the extension as a request and assigned the parties a deadline until September 30, 2018, to communicate their observations to the expertise, assigning the experts a further deadline until October 30, 2018, to file the final report together with the observations of the parties and setting a hearing on November 8, 2018, for the continuation of the case. The aforementioned final report shows (i) a receivable assessed by SISEV for only Euro 4,198 thousand against a claim of Euro 79,675 thousand and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26,157 thousand from Venture. The case was adjourned to the hearing of December 12, 2019, for examination by the expertise.

Considering the report to be seriously omissive and erroneous, a new request for the renewal of the expertise, pursuant to Article 196 of the Italian Criminal Code, was submitted. It was discussed at the hearing of May 30, 2019, at which the Region and Sicilia Digitale contested the application and asked for its complete rejection. The Judge deferred decision and, as a result, rejected the application for renewal, deducing, as to form, the absence of any breach by the independent expert of the right to be heard and, on the merits, the possibility of detecting any errors in the expert's report in the decision-making process.

At the hearing of December 19, 2019, to which the case was then adjourned, the same was held in judgment. The final briefs are currently being drafted.

Please note that, in addition to the above, no specific critical issues or formal claims related to the correct execution of services and good quality of products delivered by SISEV were highlighted by Sicilia Digitale S.p.A. and/or the Sicilian Region. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV. To date, it is therefore deemed that the defence of the summoned parties are not such to affect the evaluation on the collectability of receivables in favour of SISEV.

The Directors, considering the legitimacy of the credit lines carried out and the correct execution of the services, assessed the appraisal delivered by the independent expert. as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand, as seriously omissive and erroneous consider the receivable from Sicilia Digitale S.p.A. to SISEV to be collectable.

In any case, considering the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, the Directors, based on the rational of the agreement negotiation (which concerns only a part of receivables), accrued a bed debt provision for Euro 1.4 million, in addition of the previous accruals, for a total doubtful debt provision of approximately Euro 64 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements (amounting to Euro 36,7 million) and, for the remaining portion, the impairment of the nominal value of the receivable (amounting to Euro 27,4 million).

14 Trade receivables (Continued)

Overdue receivables by sector are shown in the following table:

Description	Days falling due 30 days	60 days	90 days	120 days	oltre 120 days	Total as of 31.03.2020
			(in Euros)			
Public Administration	8,221,583	20,961,553	5,357,510	3,534,744	60,335,871	98,411,260
Finance	4,997,440	13,188,603	583,621	442,258	9,547,137	28,759,058
Industry & Services	16,917,358	15,954,836	2,210,522	2,019,815	23,416,179	60,518,709
Telco & Utilities	9,503,880	7,614,038	430,311	702,822	7,328,881	25,579,932
TOTAL	**39,640,260**	**57,719,030**	**8,581,963**	**6,699,638**	**100,628,068**	**213,268,959**

Description	Days falling due 30 days	60 days	90 days	120 days	oltre 120 days	Total as of 31.12.2019
			(in Euros)			
Public Administration	8,416,982	6,009,524	2,660,371	1,596,853	58,703,400	77,387,130
Finance	10,635,657	1,952,727	1,127,215	861,842	11,559,707	26,137,148
Industry & Services	17,944,305	7,706,385	2,047,807	1,862,845	22,825,511	52,386,854
Telco & Utilities	19,379,134	2,173,357	962,263	1,645,179	7,936,511	32,096,444
TOTAL	**56,376,078**	**17,841,994**	**6,797,655**	**5,966,719**	**101,025,130**	**188,007,577**

Receivables for overdue invoices increased overall by Euro 25 million compared with the previous period.

a) Others

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Prepayments	1,781,591	1,563,158	218,433
Others	16,278,678	14,164,099	2,114,579
Total	**18,060,269**	**15,727,256**	**2,333,012**

Other receivables principally relate to prepayments for short-term leases, insurance policies, software package, maintenance costs, usage licenses and others.

15 Other current assets

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Other current assets	53,063,108	52,037,321	1,025,787

Other current assets are broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Other assets and tax receivables	11,808,364	13,236,421	(1,428,057)
Others	41,254,744	38,800,900	2,453,844
Total	**53,063,108**	**52,037,321**	**1,025,787**

15 Other current assets (Continued)

a) Other assets and tax receivables

Other assets and tax receivables are broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Tax receivables	8,939,516	11,421,510	(2,481,994)
Social security institutions	2,758,822	1,689,838	1,068,984
Other	110,026	125,074	(15,047)
Total	**11,808,364**	**13,236,421**	**(1,428,057)**

The tax receivables substantially relate to:

- Euro 0.5 million relating to receivables for taxes paid abroad;
- Euro 1.3 million relating to receivables from the Inland revenue Office for recoverable VAT;
- Euro 1.4 million tax refunds receivables;
- Euro 1.3 million for IRES and IRAP receivables.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2020 and INPS receivables to be recovered over subsequent years.

b) Others

"Others" item includes:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Applied research grants	35,888,432	33,580,767	2,307,665
Prepaid expenses	839,643	1,298,063	(458,420)
Others	4,526,669	3,922,070	604,599
Total	**41,254,744**	**38,800,900**	**2,453,844**

Receivables for applied research grants are receivables yet to be collected, relating to projects financed by national public authorities and by the European Union, and that show no risks of non-payment.

16 Cash and cash equivalents

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Cash and cash equivalents	252,014,831	191,870,292	60,144,539

The balance includes cash and cash equivalents and bank current accounts.

Cash and cash equivalents consist of the following:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Bank and postal deposits	251,952,224	191,813,969	60,138,255
Cash and cash equivalents	62,607	56,323	6,284
Total	**252,014,831**	**191,870,292**	**60,144,539**

16 Cash and cash equivalents (Continued)

As of March 31, 2020, the item "Cash and cash equivalents" amounts to Euro 252 million, up Euro 60.1 million compared to December 31, 2019 and corresponds to cash and cash equivalents relating to current accounts and readily available funds.

For further information, please refer to the Cash Flow Statement.

D) SHAREHOLDERS' EQUITY

17 Information on Shareholders' Equity

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Shareholders' Equity	621,243,608	610,980,762	10,262,846

The changes are shown in the table below:

Shareholders' Equity	Values as of 31.03.2020	Value as of 31.12.2019
	(in Euros)	
Share Capital	31,875,000	31,875,000
Total share capital	**31,875,000**	**31,875,000**
Legal reserve	6,375,000	6,375,000
Merger reserve	504,437,886	504,437,886
Exchange translation reserve IAS21	(5,955,781)	(4,272,133)
Other reserves	(3,570,211)	(8,313,615)
Total reserves	**501,286,895**	**498,227,139**
Prior years' undistributed profits	102,451,860	51,058,947
First-time application of IAS/IFRS	(821,686)	(819,853)
IAS 19 actuarial gains/(losses)	(15,738,049)	(15,152,356)
Retained earnings /(Losses carried forward)	**85,892,125**	**35,086,737**
Profit/(loss) for the period	**8,015,420**	**51,900,485**
Total Group Shareholders' Equity	**627,069,440**	**617,089,361**
Capital and reserves of non controlling interests	**(6,060,409)**	**1,962,707**
Profit/(loss) for the period of non controlling interests	**234,577**	**(8,071,306)**
Total Shareholders' Equity	**621,243,608**	**610,980,762**

18 Share Capital

The subscribed and fully paid-up share capital is Euro 31,875,000, divided into 12,156,787 shares each without nominal value.

19 Reserves

In relation to the possible utilisation and distribution of reserves, the following should be noted:

- **Legal reserve:**

  Euro 6,375,000 is available for the covering of losses but is not distributable.

- **Merger reserve:**

  The merger reserve totalled Euro 504,437,886 and it is broken down as follows:

  - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve substantially refers to profits gained by the incorporated companies over the years before the merger;
  - Euro 387,661,107 refer to the reverse merger of Mic Bidco S.p.A., which occurred in 2017;

19 Reserves (Continued)

- Euro 334,422 for the merger of the subsidiary Infinity Technology Solutions S.p.A. on 1 January 2018;
- Euro 398,117 for the merger of the subsidiary Infogroup S.p.A. on 1 May 2018.

- **Other reserves:**

  Other Reserves (negative) of Euro 3,570,211 relate to:

  - Special Egov research reserve of Euro 72,000, is neither available nor distributable.
  - Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable
  - Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable.
  - Stock Option Reserve, this reserve, amounting to 34,359,951, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on 28 June 2017.
  - Forward contract reserve, amounting to Euro (37,658,792) on shares of subsidiaries (i.e. Non-Controlling Interest) whose counterpart liability is represented in paragraph 17 above.

- **Exchange translation reserve:**

  At the reporting date, it amounted to Euro (5,955,781) and is neither available nor distributable.

20 Retained earnings

Retained earnings are equal to Euro 85,892,125 and include:

- **Prior years' undistributed profits**

  At the reporting date, they amounted to Euro 102,451,860 and are neither available nor distributable. The increase for the year amounts to Euro 51,900,485 and is due to the allocation of the previous year's result;

- **First-time application of IAS/IFRS reserve**

  At the reporting date, it amounted to Euro (821,686) and is neither available nor distributable.

- **Actuarial gains/(losses) reserve—IAS 19**

  At the reporting date, it amounted to Euro (15,738,049) and is neither available nor distributable.

E) NON-CURRENT LIABILITIES

21 Non-current financial liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Non-current financial liabilities	188,018,256	197,485,888	(9,467,632)

Non-current financial liabilities relate to "Bank loans" and "Other non-current financial liabilities", broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Bank Loans	172,703,630	185,536,742	(12,833,112)
Other non-current financial liabilities	16,797,778	13,855,500	2,942,278
Unamortised debt issuance costs	(1,483,153)	(1,906,355)	423,202
Total	**188,018,256**	**197,485,888**	**(9,467,632)**

21 Non-current financial liabilities (Continued)

The bank loans as of 31 March 2020 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
			(in Euros)		
ATTIVITA'PROD.MCC/ EX ESEL	2020	—	135,972	—	
MEDIUM/LONG-TERM LOANS	2021	6	139,567	1,525,155	
MEDIUM/LONG-TERM LOANS	2021	3	6,984	3,547	
MEDIUM/LONG-TERM LOANS	2022	6	250,008	265,993	
LOAN INTESA SAN PAOLO	2020	4	6,736		
BANCA CARIGE 60	2022	3	40,416	66,219	
IMPREBANCA 1-602-2251	2021	4	66,667	33,334	
BANCA IFIS 3060	2021	5	68,421	29,445	
BCC ROMA 006/728505/35	2022	4	82,813	122,386	
ICCREA BANCA D'IMPRESA	2023	3	80,048	216,286	
BEI/SERAPIS N. 84744	2022	EURIBEUR363m+1.06000	9,090,909	9,090,909	
BANCA IMI - POOL OF BANKS	2021	0.9000000	24,700,000	59,150,000	
MIUR PR. 248064 SAFE&SMART	2024	0.2500000	93,019	281,861	
BANCO BPM	2023	1.2500000	13,644,444	37,522,222	
BANCO BPM	2024	0.9100000	500,000	9,250,000	
BEI/SERAPIS N. 88682	2026	1.3390000	3,333,333	36,666,667	10,000,000
BEI/SERAPIS N. 88682	2026	1.3060000	1,666,667	18,333,333	5,000,000
MISE/MCC SUMMIT	2028	0.1700000	9,685	146,272	68,492
Total			**53,915,690**	**172,703,630**	**15,068,492**

The Group's main long-term financial payables include parent company commitments for mortgages with maturity over 12 months, mainly attributable to the Parent Company and equal to Euro 170,441,265.

Some information and characteristics of the main loans are shown hereunder:

- To support research and development activities the European Investment Bank (EIB) granted one direct credit line of Euro 50 million, disbursed on 8 January 2016.
- Following the reverse merger of MIC Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., on 26 May 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a Pool of Banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million granted by the same pool of banks, again through Banca IMI S.p.A., to MIC Bidco S.p.A., which had used it to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. against the OPA launched in May 2016.
- On 27 December 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A.
- On 2 July 2019, Banco BPM granted a loan of Euro 10 million for a 5.5 year period to support the financial restructuring of Cybertech srl.

21 Non-current financial liabilities (Continued)

- On 6 June 2019, a new loan contract for Euro 60 million was signed, granted directly by the European Investment Bank (EIB) in support of research and technological development activities. On 16 July 2019, the first tranche of Euro 40 million was disbursed at a fixed rate of 1.339%, while on 20 September 2019, the second and last tranche of Euro 20 million was disbursed at a fixed rate of 1.306%.

COVENANTS

The following loans envisage the respect of some Covenants:

- loan granted by the European Investment Bank (EIB);
- loan granted by Banca Intesa Sanpaolo S.p.A;
- loan granted by Banca IMI S.p.A./Pool of Banks;
- loan granted by Banco BPM.

The Financial Parameters are revised twice a year with reference to the Consolidated Financial Statements and the Consolidated Half-Year Report.

As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered into on 1 July 2014, with Unicredit S.p.A., to hedge the loan supplied by the same bank on behalf of the European Investment Bank (EIB) and redeemed on 30 December 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption. This hedging will expire in March 2020 at the same time as the last repayment instalment of the Banca Intesa loan.

As regards the loan granted by Banca IMI S.p.A./Pool of Banks on 23 July 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate set at 0.15% expired on 21 October 2019 and was never activated. The last two loans highlighted in the statement and granted by MIUR and MISE are at a subsidised fixed rate and are always linked to the implementation of research and technological development projects. The Safe & Smart project was launched on 25 January 2019, and the Summit was launched on 23 October 2019.

The "Other non-current financial liabilities" item is as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Derivative (cash flow hedge)	0	8,413	(8,413)
Security deposits	590,965	726,133	(135,168)
Amounts due for finance lease	926,813	470,954	455,860
Contingent consideration for business combinations	15,280,000	12,650,000	2,630,000
Total	**16,797,778**	**13,855,500**	**2,942,278**

The contingent consideration for business combinations will be paid from 2021 onwards.

21 Non-current financial liabilities (Continued)

The following table represents the movement of Financial Liabilities:

Description	31.12.19	Cash Flows New loans	Cash Flows Repayment	Reclass	Non- Cash Changes Other movements	31.03.2020
				(in Euros)		
Non-current financial liabilities	197,485,888			(13,287,706)	3,820,074	188,018,256
Non-current financial liabilities for right of use	154,130,142			(8,581,187)	1,127,571	146,676,526
Current financial liabilities	108,085,253	80,984,895	(50,338,509)	13,287,706	(4,803,357)	147,215,988
Current financial liabilities for right of use	20,716,370		(4,849,066)	8,581,187	13,679	24,462,170
Total	**480,417,653**	**80,984,895**	**(55,187,575)**	**0**	**157,967**	**506,372,939**

Description	31 December 2018	Cash Flows New loans	Cash Flows Repayment	Reclass	Non Cash Changes Other movements	31 December 2019
				(in Euros)		
Non-current financial liabilities	177,939,035	92,167,759		(86,518,499)	13,897,593	197,485,888
Non-current financial liabilities for right of use	0			(14,828,586)	168,958,728	154,130,142
Current financial liabilities	74,122,200		(57,833,653)	79,263,883	12,532,824	108,085,253
Current financial liabilities for right of use	0		(16,003,627)	22,083,202	14,636,795	20,716,370
Totale	**252,061,234**	**92,167,759**	**(73,837,280)**	**0**	**210,025,939**	**480,417,653**

The breakdown of the Company's Net Financial Position is reported below:

Description	31.03.2020	31.12.2019
	(in Euros)	
A) Cash and cash equivalents	**252,014,831**	**191,870,292**
B) Current financial receivables	**0**	**0**
Current lease liabilities	(24,462,170)	(20,716,370)
Current financial liabilities	(147,215,987)	(108,085,253)
C) Current borrowing	**(171,678,158)**	**(128,801,623)**
D) Net Current Financial Position	**80,336,673**	**63,068,669**
Non-current financial liabilities	(188,018,256)	(197,485,888)
Non-current financial liabilities for right of use	(146,676,526)	(154,130,142)
E) Non-current borrowing	**(334,694,781)**	**(351,616,029)**
F) Net Financial Position	**(254,358,108)**	**(288,547,361)**

22 Non-current lease liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Non-current lease liabilities IFRS16	146,676,526	154,130,142	(7,453,616)

22 Non-current lease liabilities (Continued)

The table below shows the breakdown of leased liabilities into current and non-current payables:

Description	Within 1 year	Over 1 year	Of which over 5 years
		(in Euros)	
Amounts due for finance lease (IAS17)	1,341,744	4,220,939	38,760
Payables for lease offices and branches	16,258,576	133,639,823	72,290,952
Payables for vehicle financing	4,934,618	5,290,075	
Payables for hardware and software lease	1,785,472	3,420,575	
Other lease liabilities	141,759	105,115	
Total	**24,462,169**	**146,676,526**	**72,329,712**

With regard to the portion due within 12 months of lease payables, amounting to Euro 24,462,169, please refer to the paragraph on Current payables for leases IFRS 16.

Lease liabilities are monitored within the Group's treasury function.

23 Deferred tax liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Deferred tax liabilities	159,396,958	162,880,181	(3,483,222)

Deferred tax liabilities have been calculated on the following items:

	31.03.2020		31.12.2019	
Description	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
		(in Euros)		
Properties, Plant and Equipment—Tax depreciations	124,575	35,451	115,790	33,006
Goodwill	14,919,989	4,162,677	14,635,784	4,083,385
Intangibles—Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Other Revenues—Research grants	953,778	236,105	1,213,527	298,444
Other Revenues—Research grants taxed in 5 years	58,989,936	14,157,585	67,067,529	16,096,207
Doubtful debt provision	20,666	4,960	20,666	4,960
IFRS adjustments FTA	2,023,409	564,531	2,050,703	572,146
IFRS—IAS 8 adjustments	1,031	328	1,031	328
Customer Relationship—Allocation of goodwill	47,826,918	13,829,438	53,237,761	15,385,821
Other	44,555	10,693	44,555	10,693
Total	577,934,218	159,396,958	591,416,706	162,880,182

24 Non-current provisions for risks and charges

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Non-current provisions for risks and charges	3,653,163	4,686,023	(1,032,861)

The provision for risks amounted to euros 3.6 million, mainly due to accruals for disputes with third-party customers and civil for Euro 3 million and labor litigation for Euro 0.6 million. The decrease is mainly due to the impact of the foreign exchange rate movements related to the non-European Companies of the Group.

24 Non-current provisions for risks and charges (Continued)

Changes are detailed below:

Description	(in Euros)
Balance as of 01.01.2019	**4,015,264**
Exchange difference effect	(80,780)
Increase	751,539
Balance as of 31.12.2019	**4,686,023**
Exchange difference effect	(964,261)
Increase	(68,599)
Balance as of 31.03.2020	**3,653,163**

25 Other non-current liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Other non-current liabilities	39,569,367	38,985,512	583,855

Other non-current liabilities include:

- For Euro 37.2 million the measurement of payables—based on provisions set out by IAS 32—for put options granted to non-controlling. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved.
- For Euro 1 million the payables for a non-competition agreement signed with the top management

26 Post-employment benefits

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Post-employment benefits	74,081,190	74,412,000	(330,810)

Changes are detailed below:

Description	(in Euros)
Balance as of 01.01.2019	69,768,374
Provisions	28,041,488
Amounts paid to social security institutions + INPS	(25,943,367)
Actuarial gains/(losses)	4,560,052
Benefits paid	(3,814,963)
Indemnities on acquisition of Group business units/subsidiaries	1,595,554
Transfer payables of Group business units/subsidiaries	(688,463)
Post-empl. benefits, consolidated companies	893,324
Balance as of 31.12.2019	**74,411,999**
Provisions	6,374,792
Amounts paid to social security institutions + INPS	(5,919,327)
Actuarial gains/(losses)	776,609
Benefits paid	(1,625,776)
Indemnities on acquisition of Group business units/subsidiaries	272,104
Transfer payables of Group business units/subsidiaries	(272,104)
Post-empl. benefits, consolidated companies	62,893
Balance as of 31.03.2020	**74,081,190**

F) CURRENT LIABILITIES

27 Current financial liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Current financial liabilities	147,215,987	108,085,253	39,130,734

Current financial liabilities relate to Payables to lenders, banks and other current financial liabilities as reported below:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Bank loans	126,862,317	80,630,715	46,231,603
Bank overdrafts	3,554,570	5,852,080	(2,297,510)
Other current financial liabilities	16,799,100	21,602,459	(4,803,359)
Total	**147,215,987**	**108,085,253**	**39,130,734**

Bank loans

As of March 31, 2020, short-term loans totalled Euro 126.862 thousand and relate to the short-term portion of bank loans for Euro 53.916 thousand, which reference is made in the table "Non-current financial liabilities" of this document and for Euro 72.946 thousand relate to short term loans with a duration lower than six months.

Bank overdrafts

Descrizione	31.03.2020	31.12.2019	Change
		(in Euros)	
Bank overdrafts	3,554,570	5,852,080	(2,297,510)
Total	**3,554,570**	**5,852,080**	**(2,297,510)**

Other current financial liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Other grants	13,585,162	18,735,699	(5,150,537)
Contingent consideration for business combinations	3,213,938	2,866,760	347,178
Total	**16,799,100**	**21,602,459**	**(4,803,359)**

"Other grants" refer to amounts received for research projects to be reversed to other Partner subjects.

The item "Contingent consideration for business combinations" refers to earn-outs still to be paid.

28 Current lease liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Current liabilities for right of use	24,462,170	20,716,370	3,745,800

"Current liabilities for right of use" relate to the short-term portion of leases described in Note 23 "Non-current lease liabilities" paragraph.

29 Current provisions for risks and charges

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Current provisions for risks and charges	13,434,795	15,087,070	(1,652,275)

29 Current provisions for risks and charges (Continued)

Current provisions for risks and charges are broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Provision for risks and charges	9,131,855	10,776,406	(1,644,551)
Provision for losses on projects	4,302,940	4,310,664	(7,725)
Total	**13,434,795**	**15,087,070**	**(1,652,275)**

The provision for current risks and charges is mainly broken down as follows:

- Euro 5,698 thousand regarding the restructuring plan linked to the measure provided for in the 2019 Finance Package "Quota 100", which provides for early retirement with respect to the law in force;
- Euro 1,700 thousand for the provision made in the previous year for leaving and restructuring incentives;
- Euro 1,071 thousand relating to legal disputes and the risk of penalties with customer contracts;
- Euro 240 thousand to cover losses of the subsidiary company Engineering Argentina S.A.

The item "Provision for losses on Projects" refers to the risks for probable future losses on some existing projects.

The changes in the current provisions for risks and charges during the periods in question are as follows:

Description	*(in Euros)*
Balance as of 01.01.2019	**17,144,424**
Increase	6,385,707
Decrease	(8,423,201)
Change in consolidation scope	(19,859)
Balance as of 31.12.2019	**15,087,070**
Increase	18,468
Decrease	(1,670,743)
Balance as of 31.03.2020	**13,434,795**

30 Other current liabilities

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Other current liabilities	153,952,629	172,240,417	(18,287,788)

The item is broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Directors and Statutory Auditors	1,558,793	1,384,038	174,755
Consultants	40,523	40,790	(267)
Withholding taxes	802,724	1,070,921	(268,197)
Tax payables	14,113,205	27,799,627	(13,686,422)
Due to RTI partners	1,005,936	3,532,317	(2,526,381)
Social security institutions	12,764,030	23,665,319	(10,901,290)
Others	7,444,070	9,816,817	(2,372,746)
Employees	110,646,136	98,765,218	11,880,918
Partners for research projects	4,524,879	5,475,778	(950,898)
Accrued m/l loan interest	534,249	397,425	136,823
Other accruals	14,315	6,416	7,899
Other deferred income	503,768	285,751	218,017
Total	**153,952,629**	**172,240,417**	**(18,287,788)**

30 Other current liabilities (Continued)

Tax payables are broken down as follows

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
VAT	3,183,968	8,329,536	(5,145,568)
Suspended VAT	1,215,284	1,222,550	(7,266)
IRPEF	9,186,366	16,088,655	(6,902,289)
Other	527,587	2,158,886	(1,631,299)
Total	**14,113,205**	**27,799,627**	**(13,686,421)**

31 Trade payables

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Trade payables	364,129,744	367,537,070	(3,407,326)

Trade payables refer to current payables to suppliers for goods and services.

The balance as of 31 March 2020 is broken down as follows:

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Suppliers	307,607,416	312,721,040	(5,113,624)
Associated companies	50,719	51,821	(1,102)
Others	56,471,608	54,764,208	1,707,400
Total	**364,129,744**	**367,537,070**	**(3,407,326)**

a) Suppliers

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Due to suppliers	222,541,352	212,818,963	9,722,389
Due to foreign suppliers	12,655,434	9,850,701	2,804,733
Invoices to be received	73,403,871	91,204,153	(17,800,283)
Credit notes to be received	(993,241)	(1,152,778)	159,536
Total	**307,607,416**	**312,721,040**	**(5,113,624)**

c) Payables to associates

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Invoices received	50,719	51,821	(1,102)
Total	**50,719**	**51,821**	**(1,102)**

d) Others

Description	31.03.2020	31.12.2019	Change
		(in Euros)	
Advances for future work	56,471,608	54,764,208	1,707,400
Total	**56,471,608**	**54,764,208**	**1,707,400**

The amounts due to others relate to net advances made by customers that exceed the value of inventories.

30 Other current liabilities (Continued)

INCOME STATEMENT

A) TOTAL REVENUES

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Total revenues	310,737,488	298,678,051	12,059,437

The breakdown of Total revenues is as follows:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Revenues from sales and service	280,520,428	272,463,621	8,056,807
Cgs. finished products and construction contracts	21,520,657	19,604,549	1,916,109
Other revenues	8,696,403	6,609,882	2,086,521
Total	**310,737,488**	**298,678,051**	**12,059,437**

32 Revenues

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Revenues from sales and service	280,520,428	272,463,621	8,056,807
Cgs. finished products and construction contracts	21,520,657	19,604,549	1,916,109
Total	**302,041,086**	**292,068,170**	**9,972,916**

The Group records revenues from the fulfilment of the obligation both "at a point in time" and "over time", as summarised in the table below, per type of product/service:

	Type of good and services				Total
Fulfilment of the obligations	Deliverable based contracts	Resource Based contracts	Service Based contracts	Assistance and maintanance based contracts	Total
			(in Euros)		
At a point in time	n/a	n/a	70,606,804	n/a	**70,606,804**
Over time	133,834,796	31,356,112	n/a	66,243,374	**231,434,282**
Total	**133,834,796**	**31,356,112**	**70,606,804**	**66,243,374**	**302,041,086**

33 Other revenues

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Other revenues	8,696,403	6,609,882	2,086,521

The breakdown of Other revenues is as follows:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Grants	5,681,375	5,689,913	(8,539)
Other income	3,015,028	919,968	2,095,060
Total	**8,696,403**	**6,609,882**	**2,086,521**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community.

B) OPERATING EXPENSES

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Operating expenses	296,279,850	281,446,188	14,833,662

34 Raw materials and consumables

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Raw materials and consumables	15,092,930	5,625,127	9,467,803

Below is a breakdown of costs for raw materials and consumables:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Hardware	1,402,299	1,231,581	170,719
Software	13,552,659	4,069,709	9,482,950
Consumables	137,828	323,838	(186,010)
Other	144	0	144
Total	**15,092,930**	**5,625,127**	**9,467,803**

35 Service costs

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Service costs	94,204,692	100,221,326	(6,016,634)

Service costs comprise the following accounts:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
EDP purchases, services and data lines	1,194,310	1,105,427	88,883
Insurance	855,109	900,014	(44,905)
Bank commissions	966,583	526,597	439,985
Technical support and consultancy	66,517,996	71,861,199	(5,343,203)
Legal and administrative consultancy	1,480,325	935,920	544,405
Training and refresher courses	671,759	611,294	60,465
Consultants	99,879	90,570	9,308
Cost of corporate bodies	847,007	805,672	41,334
Rents	467,343	790,034	(322,691)
Maintenance of tang. and intang. assets	5,954,774	5,786,485	168,289
Canteen and other personnel costs	3,223,865	2,556,147	667,718
Automotive expenses	2,090,740	2,258,297	(167,557)
Hardware and software rental	81,420	138,061	(56,641)
Maintenance and security services	1,206,440	1,215,499	(9,059)
Advertising and sales rep. expenses	390,032	413,746	(23,714)
Travel costs	3,790,519	5,629,496	(1,838,977)
Postage and shipping expenses	836,911	925,991	(89,080)
Utilities	2,184,236	2,193,563	(9,327)
Other	1,345,444	1,477,313	(131,869)
Total	**94,204,692**	**100,221,326**	**(6,016,634)**

36 Personnel costs

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Personnel costs	168,419,613	159,589,960	8,829,654

36 Personnel costs (Continued)

Personnel costs consist of:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Salaries and wages	126,667,243	122,839,831	3,827,412
Social security expenses	28,725,132	26,685,921	2,039,211
Post-employment benefits	6,374,675	6,292,185	82,490
Other personnel costs	6,652,563	3,772,022	2,880,541
Total	**168,419,613**	**159,589,960**	**8,829,654**

The “Salaries and wages” item includes costs related to holidays and leave pays, indemnities, overtime and bonuses.

The change is mainly due to the increase in the average number of employees, as shown in the table below.

The “Other personnel costs” item includes:

- the reclassification of amortisation and depreciation of Euro 1,248 thousand relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019.
- the rebilling of fringe benefits to employees for cars
- the cost of the stock option plan of Euro 5,010 thousand.

The stock option plan assigned is classified as Equity Settled and therefore the contra-entry of the costs is recorded in an equity reserve which, in addition to this amount, also includes the increase for the portion of stock options assigned to the subsidiary Engineering D.Hub S.p.A., for Euro 385 thousand. The subsidiary recognised, instead, a cost of equal amount.

The options become exercisable if certain time and performance objectives are achieved (so-called “vested options”). In particular, the time target is achieved—according to the regulation scheme—pro-rata temporis over the period December 2017—December 2020.

The options vested can be exercised (i) starting from the plan expiration notice and no later than the working day prior to the plan expiry date and (ii) upon the occurrence of a divestment at any time without any expiry condition.

The exercise of vested shares is allowed, without losing any vested rights, even to the so-called “good leaver” beneficiary who has terminated his employment’s relationship. If the so-called “good leaver” beneficiary ceases during the period December 2017—December 2020, the same will be entitled to a pro rata temporis of options to be exercised.

In the event that the divestment took place before December 2020, all the options would be considered 100% vested. At 31 March 2020 it is expected that the options will be vested at 30 June 2020 and therefore the fair value takes into account this assumption.

The fair value of rights assigned is calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model).

In particular, the main input data used to measure the fair value of the Stock Option plan is summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve [IRS 3 YEARS] as of December 31, 2017;
- historical volatility [at 260 DAYS], observed as of December 31, 2017;
- dividend yield equal to zero for the stock option measurement;
- historical series of logarithmic yields for the securities involved;

36 Personnel costs (Continued)

- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

The fair value of options granted in the first pool amounted to Euro 43.30 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 3.5 years;
- the exercise price for each share at the assignment date is Euro 42.15.

A summary of options granted within the stock option plan is shown hereunder:

	As of 31.03.2020		As of 31.12.2019	
	2020		2019	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Beginning of the Year	**42.15**	**937,471**		**929,994**
Granted during the year			42.15	10,668
Lapsed during the year				
Lapsed during the year				(3,191)
End of Period	**42.15**	**937,471**	**42.15**	**937,471**

No option is reported as overdue in the period shown in the table.

At March 31, 2020 the reserve for share-based payments amounted to Euro 34,4 million. The increase for the period in the income statement was Euro 5,010 thousand.

The average number of employees in 2020 increased by 1.288 compared to the previous year, due to both organic growth and the entry of new companies into the scope of consolidation.

Average number of employees	31.03.2020	31.03.2019	Change
Executives	398	382	17
Managers	2,606	1,996	610
Other employees	8,574	7,912	661
Total	**11,578**	**10,290**	**1,288**

It should be noted that, starting from the second half of March, the Group has benefited from social safety net, including the extraordinary redundancy fund (Cassa Integrazione Guadagni Straordinari—CIGS), the social security incentive offered by Italian Government to reduce the costs due to reduced working hours, in order to contain the personnel costs that will be incurred in the future, due to the current health emergency and the economic context deriving from it.

37 Amortisation and Depreciation

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Amortisation and Depreciation	14,705,091	13,291,377	1,413,715

37 Amortisation and Depreciation (Continued)

The breakdown is as follows:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Depreciation of property, plant and equip.	2,048,928	1,948,786	100,142
Amortisation of intangible assets	7,724,326	6,406,159	1,318,167
Depreciation and amortisation IFRS 16	4,931,837	4,936,431	(4,594)
Total	**14,705,091**	**13,291,377**	**1,413,715**

38 Provisions

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Provisions	1,386,135	(146,209)	1,532,344

Provisions increased due to the changes reported in the following table:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Allocation to Doubtful debt provision	1,436,445	(124,983)	1,561,428
Risk provision	(50,311)	(21,227)	(29,084)
Total	**1,386,135**	**(146,209)**	**1,532,344**

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date.

The amount of doubtful debt provisions equal to Euro 1.4 million is represented by the write down of the receivables due from the subsidiary Sicilia e-Servizi Venture S.c.a.r.l

39 Other costs

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Other costs	2,471,389	2,864,608	(393,219)

Other costs are broken down as follows:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Dues and subscriptions	325,656	130,149	195,507
Taxes	1,580,053	1,863,178	(283,124)
Gifts and donations	5,400	15,615	(10,215)
Charges for social causes	293,405	388,661	(95,256)
Other	266,875	467,006	(200,131)
Total	**2,471,389**	**2,864,608**	**(393,219)**

40 Net financial income/(expenses)

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Net financial income/(expenses)	(3,998,239)	(1,489,227)	(2,509,012)

Financial income is broken down as follows:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Interest income	1,468,666	71,449	1,397,217
Other financial income	110,180	1,050,929	(940,750)
Total	**1,578,846**	**1,122,378**	**456,467**

40 Net financial income/(expenses) (Continued)

Interest income includes interest in arrears (around Euro 1.4 million) related to receivables from Sicilia Digitale S.p.A./the Sicilian Region, reference of which is made to the previous paragraph 13.

The item “Other financial income” is composed by exchange gains.

Financial expenses consist of:

Description	31.03.2020	31.03.2019	Change
		(in Euros)	
Interest expense	1,636,148	1,550,162	85,985
Other	3,940,937	1,061,443	2,879,494
Total	**5,577,085**	**2,611,606**	**2,965,479**

Interest expense refers principally to loans detailed in note 21 “Non-current financial liabilities” of this document. The caption included for Euro 0,4 million refers to interest expenses on financial leases.

The item “Other” includes Euro 4 million of exchange losses.

41 Breakdown of financial instruments by category

For all transactions the balances (financial or non-financial) for which an accounting standard requires or permits measurement at fair value and which fall within the scope of IFRS 13, the Group applies the following criteria:

a) identification of the unit of account, i.e. the level at which an asset or liability is aggregated or disaggregated to be recognised for IFRS purposes;

b) identification of the principal market (or, in the absence thereof, the most advantageous market) in which transactions could take place for the asset or liability being valued; in the absence of evidence to the contrary, it is assumed that the market currently used coincides with the main market or, in the absence thereof, with the most advantageous market;

c) definition, for non-financial assets, of the highest and best use: in the absence of evidence to the contrary, the highest and best use coincides with the current use of the asset;

d) definition of the most appropriate valuation techniques for estimating fair value: these techniques maximise the use of observable data, which market participants would use in determining the price of the asset or liability;

e) determination of the fair value of the assets, as the price that would be received for their sale, and of the liabilities and equity instruments, as the price that would be paid for their transfer in a regular transaction between market participants at the valuation date;

f) inclusion of “non-performance risk” in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the measurement of fair value to include, in addition to counterparty risk (CVA—credit valuation adjustment), own credit risk (DVA—debit valuation adjustment).

On the basis of the data used for fair value measurements, a fair value hierarchy is identified on the basis of which assets and liabilities measured at fair value or for which fair value is indicated in the financial statement disclosures are classified:

a) level 1: includes prices quoted in active markets for assets or liabilities identical to those being valued;

b) level 2: includes observable data, different from those included in level 1, such as: (i) prices quoted in active markets for similar or identical assets or liabilities; (ii) prices quoted in non-active markets for similar or identical assets or liabilities; (iii) other observable data (interest rate curves, implicit volatilities, credit spreads);

c) level 3: uses non-observable data, which may be used if no observable input data is available. The non-observable data used for fair value measurement purposes reflects the assumptions that market participants would make when pricing the assets and liabilities being measured.

41 Breakdown of financial instruments by category (Continued)

Please refer to the table below for the definition of the fair value hierarchy level on the basis of which the individual instruments measured at fair value have been classified.

No transfers between the different levels of the fair value hierarchy took place during the year.

The fair value of derivative instruments is determined by discounting expected cash flows to present value, using the market interest rate curve at the reference date and the listed credit default swap curve of the counterparty and Group companies, to include the non-performance risk explicitly provided for by IFRS 13.

For medium/long-term financial instruments, other than derivative instruments, where market prices are not available, the fair value is determined by discounting expected cash flows, using the market interest rate curve at the reference date and considering the counterparty risk in the case of financial assets and its credit risk in the case of financial liabilities.

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of 31 March 2020:

Items as of 31.03.2020	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
		(in Euros)	
Other non-current assets		3,240,170(*)	
Trade receivables	528,060,554		
Cash and cash equivalents	252,014,831		
Total assets	**780,075,385**	**3,240,170**	**0**

Items as of 31.12.2019	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
		(in Euros)	
Other non-current assets		3,240,170(*)	
Trade receivables	590,500,354		
Cash and cash equivalents	191,870,292		
Total assets	**782,370,646**	**3,240,170**	**0**

Items as of 31.03.2020	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
		(in Euros)	
Non-current financial liabilities	188,018,256	0	
Other non-current liabilities			37,226,730(**)
Current financial liabilities	147,215,987		
Trade payables	364,129,744		
Total liabilities	**888,427,874**	**0**	**37,226,730**

Items as of 31.12.2019	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
		(in Euros)	
Non-current financial liabilities	197,477,475		8,413(*)
Other non-current liabilities			36,954,072(**)
Current financial liabilities	108,085,253		
Trade payables	367,537,070		
Total liabilities	**673,099,798**	**0**	**36,962,485**

(*) The fair value reported in the table above is included in level 2 of the fair value hierarchy.
(**) The fair value reported in the table above is included in level 3 of the fair value hierarchy

41 Breakdown of financial instruments by category (Continued)

42 Events occurring after 31 March 2020

After the first quarter of 2020, the Italian government issued new decrees of the Presidency of the Council of Ministers, which have introduced the gradual re-opening of commercial activities and social aggregation as the risk of contagion has decreased. In this context, the Group continued to provide activities to customers in smart working.

The Company is actively monitoring this situation and the possible effects on its business, results of operations and financial condition, including expenses and employee-related amounts through temporary Government subsidy programs (so called “Cassa integrazione”).

In the current complex market situation we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. In this context, all sectors are increasing demands for digitization, from Workplace to remote maintenance, as well as using data management platforms to facilitate decisions.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF ENGINEERING INGEGNERIA INFORMATICA S.P.A.
FOR THE YEAR ENDED DECEMBER 31, 2019**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
Engineering Ingegneria Informatica S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated 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 Engineering Ingegneria Informatica S.p.A. ("Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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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 the 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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.
- Obtain 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 communicate 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.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering Ingegneria Informatica Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing 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 Engineering Ingegneria Informatica Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 10, 2020

This report has been translated into the English language solely for the convenience of international readers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial Position—Assets	Note	31.12.2019	31.12.2018
		(in Euros)	
A) Non-current assets			
Property, plant and equipment	6	29,792,652	37,467,016
Intangible assets	7	533,500,604	545,300,808
Rights of use	8	173,372,063	0
Goodwill	9	107,854,469	67,365,314
Equity investments	10	54,818	150,975
Deferred tax assets	11	24,859,040	23,186,256
Other non-current assets	12	5,837,675	5,560,690
Total non-current assets		**875,271,321**	**679,031,059**
B) Non-current assets held for sale			
C) Current assets			
Inventory	13	90,514	55,440
Customer contract assets	14	200,780,560	167,359,263
Deferred contract costs	15	22,172,850	23,333,398
Trade receivables	16	590,500,354	568,087,727
Other current assets	12	52,037,321	60,314,237
Cash and cash equivalents	17	191,870,292	177,502,797
Total current assets		**1,057,451,890**	**996,652,863**
Total assets (A + B + C)		**1,932,723,211**	**1,675,683,922**

Statement of Financial Position—Liabilities	Note	31.12.2019	31.12.2018
D) Shareholders' equity			
Share Capital	19	31,875,000	31,875,000
Reserves	20	498,227,139	497,264,761
Retained earnings	21	35,086,737	26,763,190
Profit for the year		51,900,485	55,211,805
Group shareholders' equity		**617,089,361**	**611,114,756**
Capital and reserves of non-controlling interests		1,962,707	2,228,300
Profit/(loss) for the year of non-controlling interests		(8,071,306)	2,481,155
Total shareholders' equity	**18**	**610,980,762**	**615,824,211**
E) Non-current liabilities			
Non-current financial liabilities	22	197,485,888	177,939,035
Non-current lease liabilities	23	154,130,142	0
Deferred tax liabilities	24	162,880,181	167,646,133
Non-current provisions for risks and charges	25	4,686,023	4,015,264
Other non-current liabilities	26	38,985,512	37,459,457
Post-employment benefits	27	74,412,000	69,768,374
Total non-current liabilities		**632,579,745**	**456,828,263**
F) Current liabilities			
Current financial liabilities	28	108,085,253	74,122,200
Current lease liabilities	29	20,716,370	0
Current tax payables	30	5,496,524	4,080,474
Current provisions for risks and charges	31	15,087,070	17,144,424
Other current liabilities	32	172,240,417	170,068,831
Trade payables	33	367,537,070	337,615,519
Total current liabilities		**689,162,704**	**603,031,447**
G) Total liabilities (E + F)		**1,321,742,449**	**1,059,859,711**
Total liabilities and shareholders' equity (D + G)		**1,932,723,211**	**1,675,683,922**

CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

Income Statement	Note	31.12.2019	31.12.2018
		(in Euros)	
A) Total revenues			
Revenues	34	1,250,882,131	1,154,892,172
Other revenues	35	23,107,429	22,655,704
Total revenues		**1,273,989,560**	**1,177,547,877**
B) Operating expenses			
Raw materials and consumables	38	33,729,702	20,135,999
Service costs	39	425,332,941	421,702,199
Personnel costs	40	639,924,808	586,456,014
Amortisation and depreciation	41	60,296,088	43,464,123
Provisions	42	39,450,458	15,772,403
Other costs	43	14,076,295	11,976,680
Total operating expenses	**37**	**1,212,810,291**	**1,099,507,419**
C) Operating profit (A - B)		**61,179,269**	**78,040,458**
Financial income		8,428,172	15,629,193
Financial expenses		10,897,549	11,978,026
D) Net financial income (expenses)	**44**	**(2,469,376)**	**3,651,166**
E) Total income/(expenses) from investments	**45**	**3,240,594**	**(32,549)**
F) Profit before taxes (C + D + E)		**61,950,487**	**81,659,076**
G) Income taxes	46	18,121,308	23,966,116
H) Net profit from continuing operations (F - G)		**43,829,179**	**57,692,960**
I) Profit from discontinued operations		0	0
L) Consolidated profit for the year (H + I)		**43,829,179**	**57,692,960**
Non controlling interest		(8,071,306)	2,481,155
Attributable to shareholders of the Parent		51,900,485	55,211,805

Comprehensive Income Statement	Note	31.12.2019	31.12.2018
		(in Euros)	
L) Profit for the year		**43,829,179**	**57,692,960**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(4,560,052)	(1,953,964)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		1,094,413	468,951
Total other comprehensive profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(3,465,640)**	**(1,485,012)**
N) Total other comprehensive profit/(loss) which will be reclassified in profit/(loss) for the year:			
Exchange gains/losses on non Euro accounts		(335,801,05)	(1,565,624)
Total other comprehensive profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(335,801)**	**(1,565,624)**
Total other comprehensive profit/(loss), net of tax effect		**(3,801,441)**	**(3,050,637)**
O) Total comprehensive income for the year (L + M + N)		**40,027,738**	**54,642,323**
Non controlling interest		(8,153,047)	2,494,879
Attributable to shareholders of the Parent		48,180,786	52,147,445

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Group Shareholders' Equity						
Description	**Share Capital**	**Reserves**	**Retained earnings/ (losses carried forward)**	**Profit for the year**	**Group Shareholders' Equity**	**Non-controlling interests**	**Shareholders' Equity**
				(in Euros)			
Note	**19**	**20**	**21**				**18**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,383)**	**47,710,322**	**580,763,021**	**3,709,084**	**584,472,105**
First time adoption of IFRS 15 as of 01.01.2018			(4,233,192)		(4,233,192)		(4,233,192)
First time adoption of IFRS 9 as of 01.01.2018			(487,442)		(487,442)		(487,442)
Balance as of 01.01.2018	**31,875,000**	**511,174,082**	**(14,717,017)**	**47,710,322**	**576,042,387**	**3,709,084**	**579,751,471**
Net profit for the year	—	—	—	55,211,805	55,211,805	2,481,155	57,692,960
Other net comprehensive items		(1,565,624)	(1,498,736)	—	(3,064,360)	13,724	(3,050,636)
Comprehensive income for the year	**—**	**(1,565,624)**	**(1,498,736)**	**55,211,805**	**52,147,445**	**2,494,879**	**54,642,324**
Allocation of the residual result of the previous year to retained earnings	—		47,710,322	(47,710,322)	—	—	—
Share based compensation plans	—	9,902,544	—	—	9,902,544	—	9,902,544
Change in interests in subsidiaries and scope of consolidation	—		(4,480,934)	—	(4,480,934)	(1,494,508)	(5,975,442)
Put/Call option detection	—	(22,978,781)	—	—	(22,978,781)	—	(22,978,781)
Other changes	—	732,540	(250,445)	—	482,095	—	482,095
Transactions with shareholders and other movements	**—**	**(12,343,697)**	**42,978,943**	**(47,710,322)**	**(17,075,076)**	**(1,494,508)**	**(18,569,584)**
Balance as of 01.01.2019	**31,875,000**	**497,264,761**	**26,763,190**	**55,211,805**	**611,114,756**	**4,709,455**	**615,824,211**
Net profit for the year			—	51,900,485	51,900,485	(8,071,306)	43,829,179
Other net comprehensive items	—	(335,801)	(3,383,898)	—	(3,719,699)	(81,741)	(3,801,441)
Comprehensive income for the year	**—**	**(335,801)**	**(3,383,898)**	**51,900,485**	**48,180,786**	**(8,153,047)**	**40,027,739**
Allocation of the residual result of the previous year to retained earnings	—	—	15,561,363	(15,561,363)	—	—	—
Dividends distribution	—	—	—	(39,650,442)	(39,650,442)	—	(39,650,442)
Share based compensation plans	—	10,021,063	—	—	10,021,063	—	10,021,063
Put/Call option detection	—	(8,722,884)	(4,920,000)	—	(13,642,884)	—	(13,642,884)
Change in interests in subsidiaries and scope of consolidation	—	—	1,222,159	—	1,222,159	(2,665,007)	(1,442,848)
Reverse merger	—	—	(316,317)	—	(316,317)	—	(316,317)
Other changes	—		160,240	—	160,240	—	160,240
Transactions with shareholders and other movements	**—**	**1,298,179**	**11,707,445**	**(55,211,805)**	**(42,206,181)**	**(2,665,007)**	**(44,871,188)**
Balance as of 31.12.2019	**31,875,000**	**498,227,139**	**35,086,737**	**51,900,485**	**617,089,361**	**(6,108,599)**	**610,980,762**

CONSOLIDATED CASH FLOW STATEMENT

Description		2019	2018
		(in Euros)	
	Cash collected from the sales of products/services—third parties	1,365,626,560	1,234,871,139
	Cash paid for goods and/services—third parties	(572,354,399)	(508,851,265)
	Personnel costs	(644,790,358)	(585,361,537)
	Interest received	82,845	625,107
	Interest paid for operating activities	(260,394)	(409,353)
	Exchange differences	(90,146)	0
	Income tax payments and reimbursements	(61,831,821)	(48,322,457)
A)	**Total cash flow from operating activities**	**86,382,287**	**92,551,634**
	Sale of property, plant and equipment	341,786	157,006
	Purchase of property, plant and equipment	(7,248,105)	(8,601,478)
	Purchase of intangible assets	(5,873,828)	(2,543,760)
	Consideration paid for acquision of the businesses	(31,083,495)	(14,187,093)
	Disposal of subsidiaries	6,457	246,843
	Purchase of other investments and securities	(288,956)	(859,889)
	Sale of other investments and securities	330,371	524,000
	Dividends received	25,000	141,458
B)	**Total cash flow from investing activities**	**(43,790,769)**	**(25,122,913)**
	New loans	92,167,759	63,408,184
	Repayment of loans	(57,833,653)	(155,274,977)
	Dividends distributed	(39,650,442)	(2,087,641)
	Acquisition of non controlling interest	(3,211,750)	11,250
	Interest paid for financing activities	(3,981,924)	(3,000,592)
	Repayment of lease liabilities	(16,003,627)	0
C)	**Total cash flow from financing activities**	**(28,513,636)**	**(96,943,777)**
D)	**= (A + B + C) Change in cash and cash equivalents**	**14,077,881**	**(29,515,055)**
E)	**Cash and cash equivalents at beginning of year**	**177,502,798**	**207,017,853**
F)	**Cash and cash equivalents from merger**	**289,613**	**0**
G)	**= (D + E + F) Cash and cash equivalents at end of year**	**191,870,292**	**177,502,798**

Notes to the Consolidated Financial Statements

1 General information

Engineering Ingegneria Informatica S.p.A. (hereinafter the “Company” or “Engineering”) and its subsidiaries (hereinafter “Engineering Group” or the “Group”) is the leading domestic provider of integrated ICT services, products and consultancy. It was established in Padua on 6 June 1980.

With approximately 11,500 employees, around 65 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approximately 13% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (Aosta), Turin, Vicenza and Milan, which manages approximately 300 clients.

The Group operates in Software and IT Services with a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OverIT) and mobile platforms for Telco & Utilities.

At the date of preparation of these consolidated financial statements, Mic Topco S.à.r.l. is the sole shareholder of Engineering Ingegneria Informatica S.p.A.. Mic Topco S.à.r.l. does not exercise management and coordination activities, as defined by Article 2497 of Italian Civil Code, with regard to Engineering Ingegneria Informatica S.p.A

These consolidated financial statements as of 31 December 2019, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. in the meeting of 25 March 2020.

- **1.1 OPERATIONS OF REORGANIZATION OF CORPORATE STRUCTURE OF THE GROUP**

Reverse merger of Mic Newco S.p.A. and Mic Holdco S.r.l. into Engineering Ingegneria Informatica S.p.A.

On 6 December 2019, the reverse merger between the companies Mic Holdco S.r.l. (it owned 100% of share capital of Mic Newco S.p.A.) and Mic Newco S.p.A. (it owned 100% of share capital of the Entity), which were incorporated into the Entity was completed. Because this is a merger with the aim of reorganization of the corporate structure, it was not accounted for as a business combination under IFRS 3.

Given the above, the reverse merger project did not result in any further “goodwill” being recognized and the assets and liabilities of the two companies Mic Newco S.p.A. and Mic Holdco S.r.l. were included in the consolidated financial statements according to the principle of continuity of book values.

The net book value of the assets and liabilities of Mic Newco S.p.A. and Mic Holdco S.r.l. was equal to Euro (316) thousands and was recorded in the consolidated financial statements of the Company as a reduction of the consolidated equity.

Other merger between the other subsidiaries

Also in 2019, the merger process of ICRAFT GmbH, previously a wholly controlled subsidiary of Engineering ITS AG, into Engineering BSC GmbH (formerly EMDS GmbH) was completed.

At the beginning of the 2019, the company Engineering Software Labs GmbH proceeded to carry out the merger by incorporation for the companies Icode GmbH (previously wholly controlled by Engineering ITS AG), Bekast It Consulting GmbH (previously wholly controlled by Engineering ITS AG) and the company KeyVolution GmbH (previously wholly controlled by Bekast It Consulting GmbH and initially merged by incorporation into the latter). The tax and accounting effects of the above mentioned mergers were effective 1 January 2019.

The above transactions had no impact on the consolidation scope and on the consolidated financial statements.

- **1.2 ACQUISITIONS FOR THE YEAR**

Acquisition of control of Cybertech S.r.l.

By deed dated 19 February 2019, Engineering D.HUB S.p.A. acquired control of Cybertech S.r.l. through a 51% stake in the share capital. As a result of the aforementioned acquisition, Engineering D.HUB S.p.A. also

1 General information (Continued)

indirectly became the controlling shareholder of numerous Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland. With the acquisition of Cybertech, the Group aims to strengthen Cybersecurity solutions which represent a crucial and transversal part of its offer.

For the purposes of preparing these consolidated financial statements, the transaction was accounted for, in accordance with IFRS 3, through the use of the acquisition method which led to the provisional estimate of the fair value of the assets acquired and liabilities assumed.

The non-controlling interests was determined on the basis of the share of the current values attributed to the assets and liabilities at the date of taking control, excluding any goodwill attributable to them.

The following table shows the overall values of the assets and liabilities acquired at their respective fair value and goodwill.

Net assets acquired	Final fair value
	(in Euros)
Property, plant and equipment	63,917
Intangible assets	5,968,384
Equity investments	1,155,508
Other non-current assets	12,762
Trade receivables	13,440,810
Cash and cash equivalents	15,660
Other current assets	943,603
Non-current financial liabilities	—
Other non-current liabilities	(2,709,779)
Current financial liabilities	(5,897,467)
Non-current financial liabilities	(1,909,076)
Other current liabilities	(15,368,857)
Total net assets acquired	**(4,284,535)**
Non-controlling interests	(2,099,422)
Total net assets acquired by the Group	(2,185,113)
Total amount	**738,435**
Goodwill	**2,923,548**
Cash and cash equivalents	15,660
Net outflow resulting from the acquisition	**722,775**

As more fully illustrated in the detailed comments on the individual items of this Explanatory Notes to which reference is made, in the context of the fair value measurement of the assets acquired and liabilities assumed in accordance with IFRS 3, a net value fair value adjustments of Euro 4.9 million, relating to the recognition of Customer Relationship intangible assets of Euro 5.9 million and of the equity investments item of Euro 0.6 million (gross deferred taxes liabilities for Euro 1.6 million).

The fair value of receivables acquired and the gross contractual amounts receivable amount to Euro 13.4 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

The determination of the assets acquired and the liabilities assumed at fair value was carried out through an estimation process based on assumptions deemed reasonable and realistic based on the information that was available at the date of acquisition of control.

The goodwill was allocated to the CGU "Cybertech" which benefits from the synergies generated by the acquisition. Furthermore, this goodwill value will be fiscally non-deductible.

The full consolidation from the acquisition date of this business combination led to the recognition of revenues and profits in the consolidated financial statements of the Engineering Group equal to respectively Euro 27.8 million and Euro 0.1 million.

1 General information (Continued)

If the acquired company had been fully consolidated since 1 January 2019, the Engineering Group's consolidated revenues and consolidated net profit for 2019 would have been greater than Euro 0.5 million and Euro 0 million respectively.

Acquisition of control of Municipia Mobilità S.r.l.

On 22 January 2019, the company Municipia S.p.A. acquired 100% of the share capital of Municipia Mobilità S.r.l. (subsequently merged in Municipia S.p.A.), based in Rome, which specialises in the development of Smart Mobility systems. This acquisition was made in order to strengthen its commercial strategy and to integrate licensable products into the local authorities market.

The following table shows the fair values of the assets and liabilities acquired and the goodwill determined as described below.

Description	Fair value of net assets acquired
	(in Euros)
Property, plant and equipment	871
Intangible assets	3,174,982
Trade receivables	217,608
Cash and cash equivalents	11,877
Other current assets	381,096
Other non-current liabilities	(15,540)
Other current liabilities	(642,316)
Temporary fair value of assets acquired	**3,128,578**
Shareholding acquired	100.0%
Acquisition cost	7,271,470
Goodwill	**4,142,892**
Cash and cash equivalents	11,877
Net outflow resulting from the acquisition	**7,259,593**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events. The agreement between the parties sets out that the earn-out shall not exceed Euro 3.5 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.6 million, which is the estimated amount to be paid upon maturity based on the agreements signed.

The fair value of acquired receivables and the gross contractual amounts receivable amount to Euro 218 thousand. At the acquisition date there are not any contractual cash flow not expected to be collected.

The fair values of the assets and liabilities of Municipia Mobilità S.r.l. were recognized in the consolidated financial statements as at 31 December 2019, recording the full difference between the purchase cost and the assets acquired at net of liabilities assumed under goodwill (Euro 4.1 million).

The goodwill was allocated to Municipia Mobilità. Furthermore, this goodwill value will be fiscally non-deductible.

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statement amounts to Euro 2.5 million and Euro 0.4 million.

Given that the acquisition of control took place on 22 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would not have been substantially different if the acquired company had been fully consolidated since 1 January 2019.

1 General information (Continued)

Acquisition of control of Deus Technology S.r.l.

On 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the shares of Deus Technology S.r.l. with the aim of using technology, in continuous development, and to bring innovation to Wealth Management by providing customers with cutting-edge solutions.

The company's mission is to guide and support clients in the evolution of their business model towards Fintech, adopting technology to extend their services offered and deliver them in a scalable manner.

The following table shows the provisional fair values at the acquisition date of the assets acquired and liabilities assumed:

Description	Provisional fair value of net assets acquired
	(in Euros)
Property, plant and equipment	106,373
Intangible assets	293,299
Right of use	2,019,888
Other non-current assets	134,260
Trade receivables	1,160,967
Cash and cash equivalents	89,828
Other current assets	312,872
Non-current financial liabilities	(1,827,970)
Other non-current liabilities	(470,955)
Current financial liabilities	(167,678)
Other current liabilities	(1,784,930)
Temporary fair value of assets acquired	**(134,045)**
Shareholding acquired	100.0%
Acquisition cost	30,000,000
Goodwill	**30,134,045**
Cash and cash equivalents	89,828
Net outflow resulting from the acquisition	**29,910,172**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events. Indeed, the agreement between the parties set out that the earn-out shall not exceed Euro 7.3 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 7.3 million, which is the estimated amount to be paid upon maturity on the basis of the aforementioned agreements.

The provisional fair value of receivables acquired and their the gross contractual amounts receivable amount to Euro 1.2 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

As allowed by IFRS 3, in the consolidated financial statements as at 31 December 2019, the fair values of the assets and liabilities of Deus Technology S.r.l. were provisionally recognized, recording the full difference between the purchase cost and the assets acquired net of liabilities assumed in the goodwill item (Euro 30.1 million). In particular, taking into account the relevance of the acquisition, it was considered appropriate to temporarily maintain the carrying amounts of the assets and liabilities already recognized in the Deus financial statements, properly adjusted to make them compliant with the accounting principles and evaluation criteria applied in the preparation of these consolidated financial statements attributing to goodwill the entire difference from the cost of the acquisition. This accounting approach was considered more clear and representative for users of the financial statements, taking into account the substantial impossibility of determining the fair values, albeit provisional, of the assets and liabilities acquired on a reliable basis, thus making it possible to obtain a provisional accounting representation of the effects of the acquisition.

1 General information (Continued)

At the end of the process of definitive recognition of the fair values of the assets and liabilities of Deus Technology S.r.l., which will take place within twelve months of the acquisition date as indicated by IFRS 3, the economic, equity and financial contribution of Deus Technology will therefore be reworked to the consolidated financial statements for 2019.

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to the CGU "Deus" and was subjected to the impairment test on the acquisition date based on the method set out in IAS 36. Furthermore, this goodwill value will be fiscally non-deductible.

Based on the valuation activities in progress, effects on the following main items may arise: intangible assets and deferred tax assets and liabilities and related economic effects.

The full consolidation from the acquisition date of the business combination in question led to the recognition of revenues and profits in the consolidated financial statements of the Engineering Group equal to Euro 2.3 million and Euro 0.8 million respectively.

If the acquired company had been fully consolidated from 1 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would have been respectively greater than Euro 3.4 million and Euro 0.1 million.

Acquisition of control of Digitelematica S.r.l.

On 2 July 2019 (hereinafter also "acquisition date") Engineering Ingegneria Informatica S.p.A. acquired 80% of the capital of Digitelematica S.r.l..

Digitelematica S.r.l. is a software house that creates web and mobile applications for various customers. Thanks to this acquisition, the Group will be able to count within its services offered the analysis, development, design and distribution of software.

In the last few years the company has worked in particular on e-commerce solutions for organised large-scale distribution, with a specific interest in Click&Collect. Digitelematica also implements Locker and Home Delivery solutions.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the provisional estimate of the fair value of assets acquired and liabilities undertaken.

The non-controlling interests was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such.

1 General information (Continued)

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Provisional fair value of net assets acquired
	(in Euros)
Property, plant and equipment	40,884
Intangible assets	10,307
Other non-current assets	22,883
Trade receivables	694,286
Cash and cash equivalents	425,778
Other current assets	171,674
Non-current financial liabilities	(13,393)
Other non-current liabilities	(126,356)
Other current liabilities	(766,908)
Temporary fair value of assets acquired	**459,156**
Shareholding acquired	80.0%
Acquisition cost	3,666,753
Shares held by minority holders	20.0%
Non-controlling interests	91,831
Goodwill	**3,299,429**
Cash and cash equivalents	425,778
Net outflow resulting from the acquisition	**3,240,975**

As allowed by IFRS 3, the fair values of Digitelematica S.r.l.'s assets and liabilities have been provisionally recognized in the consolidated financial statements at 31 December 2019, recording the full difference between the purchase cost and the assets acquired net of liabilities assumed in the goodwill item (Euro 3.3 million).

As required by IFRS 3, the goodwill that emerged following the above accounting for the transaction was allocated to the CGU "Digitelematica" and was subjected to the impairment test on the acquisition date based on the method set out in IAS 36. Furthermore, this goodwill value will be fiscally non-deductible.

Based on the valuation activities in progress, effects on the following main items may arise: intangible assets and deferred tax assets and liabilities and related economic effects.

The provisional fair value of receivables acquired and their the gross contractual amounts receivable amounts the credits acquired is equal to Euro 0.7 million. At the acquisition date there are not any contractual cash flow not expected to be collected.

The full consolidation of this business combination from the acquisition date led to the recognition of revenues and net profit on the consolidated financial statement amounts to Euro 1 million and Euro 0.04 million.

If the acquired company had been fully consolidated from 1 January 2019, the consolidated revenues and consolidated net profit of 2019 of the Engineering Group would have been greater than Euro 0.6 million and Euro 0.3 million respectively.

Completion of accounting activities related to acquisitions

Goodwill allocation of Icraft GmbH

The purchase price allocation for the acquisition of Icraft GmbH was finalised at 31 December 2019. No changes were made to the provisional fair values of assets and liabilities acquired.

1 General information (Continued)

Goodwill allocation of Icode GmbH

The purchase price allocation for the acquisition of Icode GmbH was finalised at 31 December 2019. No changes were made to the provisional fair values of assets and liabilities acquired.

- **1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES**

During 2019, the Group paid the amounts due for the acquisition of control of the following companies and business units.

The table below shows details of the main cash payments and cash and cash equivalents acquired:

Description	Digitelematica S.r.l.	Deus Technology S.r.l.	Cybertech S.r.l.	Municipia Mobilità S.r.l.	In.for. S.r.l.	Other	2019
				(in Euros)			
Cash payments leading to obtaining control	1,766,753	22,650,000	700,000	3,771,470			28,888,223
Cash and cash equivalents acquired	(425,778)	(89,828)	(15,660)	(11,877)			(543,143)
Earn out payment				207,900	200,000	1,058,068	1,465,968
Advance payment			1,200,000			72,448	1,272,448
Cash flow for the purchase of subsidiaries investments net of cash and cash equivalents	**1,340,975**	**22,560,172**	**1,884,340**	**3,967,493**	**200,000**	**1,130,516**	**31,083,496**

If the acquired companies had been fully consolidated since 1 January 2019, the Engineering Group's consolidated revenues and consolidated net profit for 2019 would have been Euro 35.6 million and Euro 1.3 million respectively. The column "Other" included payments of contingent consideration related to business combinations performed during previous periods for Euro 1.05 million.

- **1.4 HYPERINFLATION IN ARGENTINA**

In Argentina, following a long period of observation of inflation rates and other indicators, a consensus has been reached at a global level regarding the occurrence of the conditions determining the presence of hyperinflation in accordance with International Financial Reporting Standards. It follows that, as of 1 July 2018, all companies operating in Argentina are required to apply IAS 29 "Financial reporting in hyperinflationary economies" when preparing financial reports.

With reference to the Group, the consolidated financial results as of 31 December 2019, include the effects deriving from the application of the above mentioned accounting standard, with effect from 1 January 2018.

Consistent with the provisions of IAS 29, the restatement of the financial statements as a whole has resulted in the following:

- with regard to the income statement, costs and revenues have been revalued by applying the change in the general consumer price index to reflect the loss of purchasing power of the local currency as of 31 December 2019. For the purpose of converting the income statement thus restated into Euro, the exchange rate at 31 December 2019, was consistently applied instead of the average exchange rate for the period. With reference to consolidated net sales for the period, the effect of applying the standard resulted in a negative change of Euro 220.1 thousand for 2019;

- with regard to the statement of financial position, the monetary elements have not been restated since they were already expressed in the current unit of measurement at the end of the period; instead, non-monetary assets and liabilities have been revalued to reflect the loss of purchasing power of the local currency that occurred from the date on which the assets and liabilities were initially recorded at the end of the period;

1 General information (Continued)

- the effect determined on the net monetary position for the part generated during the twelve months of 2019 (total income of Euro 171.7 thousand) was recorded in the income statement under net financial income (charges), while the effects of the first application of the standard as of 1 January 2018 were recorded directly as components of shareholders' equity.

2 Form, contents and accounting standards

These consolidated financial statements as of 31 December 2019, have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of 19 July 2002. The IFRS standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee (IFRS IC), previously named "Standard Interpretations Committee" (SIC). The IFRS standards have been applied consistently with the periods disclosed herein and, taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

These consolidated financial statements are expressed in Euro and, in compliance with IAS 1 "Presentation of Financial Statements" include the consolidated statement of financial position, the consolidated income statement and the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related Explanatory Notes.

The principles utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the accounting standard "IFRS 16—Leases", applied from 1 January 2019. In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of the comparative information. Equity was not impacted as the right of use asset was measured at an amount equal to the lease liability, please refer to Note 4.29. IFRS 16 provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of a good in order to distinguish leasing contracts from service contracts while identifying the following as discriminating factors of leases: identification of the good, the right of replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and lastly, the right to manage the use of the good underlying the contract. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the standard does not include significant changes for lessors. For a description of the impacts resulting from the application of the above standard, please refer to Note 4.

The consolidation was carried out under the line-by-line method, including the non-controlling interests reported in the relevant shareholders' equity and income statement accounts.

The Group companies adopted the same accounting period as the Parent Company and the standards utilised are the same for the preparation as the last annual financial statements and were applied in a uniform manner.

In the statement of financial position, assets and liabilities are classified according to the "current/non-current" criterion with separation of assets and liabilities held-for-sale.

Current assets are those held for sale or used in the normal business operating cycle or in the twelve months following the year-end.

Current liabilities are expected to be settled in the normal operating cycle or within 12 months following the year-end. The income statement is classified according to the nature of the costs while the cash flow statement uses the direct method.

The transactions with related parties concern subsidiaries, associated companies and Directors and Executives with strategic responsibilities.

2 Form, contents and accounting standards (Continued)

For each item of the statements, the corresponding figure of the previous year is disclosed for comparison purposes.

It should also noted that the completion of the process of allocation of the fees paid for the transactions made during the financial year 2018 did not result in any restatement of the fair values of the net assets acquired and the goodwill provisionally recognized in the consolidated financial statements closed on 31 December 2018.

- **CRITICAL JUDGMENTS IN APPLYING THE ACCOUNTING POLICES**

There are no critical judgements made in applying the Group's accounting policies.

- **KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources.

However, actual results could differ from those estimates. Estimates and assumptions periodically revised and changes are immediately reflected in the income statement.

The items that are mostly influenced by estimates are the calculation of amortisation/depreciation, impairment tests on assets (including measurement of receivables), provisions for allocations, employee benefits, fair value of financial liabilities, deferred tax assets and liabilities and customer contracts assets. For a better understanding of the financial statements, the main estimates utilised in the drawing up of the financial statements are shown hereunder and involve the use of subjective opinions, assumptions and estimates related to issues that are uncertain by nature. The changes in conditions underlying the opinions and assumptions might have a significant impact on the following financial years.

Impairment of assets (Goodwill Euro 108 million and Trademark Euro 453 million)

As explained in more detail in paragraph 7 hereof, for the calculation of the value in use of Cash Generating Units, the Group has taken into account, with reference to the specified period, the expected trends resulting from the budget for 2019 and, for subsequent years, the forecasts included in the 2020—2022 multi-year plan. The impairment test carried out on the basis of these forecasts did not generate any write-downs.

Purchase Price Allocation (IFRS 3)

As explained in the paragraph "Completing the accounting activities related to acquisitions", the recognition of business combination transactions implies the allocation of the payment of acquisition to the assets and liabilities of the acquired company, which are evaluated at fair value.

The possible difference, if positive, is recorded as goodwill; if negative, it is recorded in the income statement. In the process of assigning amounts to certain asset items, the Group applied estimates to determine their fair value. To determine fair value, the Group used valuation methods, including discounted cash flow analysis. To calculate the present value of future cash flows, it is necessary to formulate some assumptions regarding uncertain issues, including management's expectations regarding:

- marginality of customer portfolios;
- the probability of renewal of contracts with customers;
- the selection of the discount rate that reflects the risk.

The Group's estimates are based on assumptions deemed reasonable, but uncertain and foreseeable. These assessments require the use of management assumptions, which may not reflect unpredictable events.

Deferred tax assets

The recoverability of deferred tax assets is subject to the achievement of sufficiently large future taxable profits for the absorption of the aforementioned tax losses or to the competition of the deferred taxation

2 Form, contents and accounting standards (Continued)

connected to the other deferred tax assets. Significant management judgments are required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the timing and amount of future taxable income. In particular, it should be noted that deferred tax assets have been recorded on past tax losses for the portion estimated recoverable against future taxable income shown in the updated strategic plans of the Group, also as a consequence of the fact that the tax losses may be carried forward indefinitely.

Receivable from Sicilia Digitale S.p.A.

As explained in more detail in Note 16, trade receivables include receivables from Sicilia Digitale S.p.A., which amounted to Euro 107,873,475 (not including the related doubtful debt provision amounting to Euro 27,377,522 and the related doubtful debt provision for interest on arrears), in addition to Euro 14,526,757 of customer contract assets.

These amounts were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region, within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV" or "Venture") on 21 May 2007 and expired on 22 December 2013.

The Board of Directors, considering the legitimacy of the receivables for the services provided, assessing the appraisal delivered by the independent expert as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand as seriously omissive and erroneous and supported by the opinion of the legal sponsor, stated that the receivables from Sicilia Digitale S.p.A. are collectable.

In any case, considering the continuous change of institutional interlocutors and the difficulty of achieving an amicable agreement, considering the legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, the Group recognised the interest set out by law pertaining to the period considered (Euro 5.0 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2018 (for a total amount of Euro 35.3 million), and accrued additional provision for Euro 26.8 million for a total doubtful debt provision of Euro 62.7 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable.

Below is the Group's exposure to the counterparty as of 31 December 2019:

Description	31.12.2019
	(in Euros million)
Trade receivables and customer contract assets	122
Doubtful debt provision	(62.6)
Total	**59.4**

Fair value of options on non-controlling interest

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the options, was determined using the discounted operating cash flow method using the plan of the subsidiary involved.

The exercise prices are determined on the basis of the agreements contained in the option agreements signed by the Group.

Lease term

The Group analyzed all the lease agreements, defining the lease term for each of them, given by the "non-cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for real estate, this evaluation considered the specific facts and circumstances of each activity. As for the other categories of goods, mainly company cars and equipment, the Group has generally deemed it unlikely to exercise any extension or early termination clause in consideration of the practice usually followed by the Group. For the buildings, the Group, in assessing the lease terms, chose, based on business development plans, to consider, in addition to the non-cancellable period, the first renewal

2 Form, contents and accounting standards (Continued)

period as reasonably certain, not believing that there were facts or circumstances that led to to consider additional renewals as reasonably certain.

3 Consolidation scope and principles

- **3.1 SUBSIDIARIES**

The subsidiaries are consolidated from the date on which the Group acquires control and deconsolidated from the date in which control is lost. Control is defined as the ability to directly or indirectly determine the financial and management policies and benefit from their implementation.

Consistently with provisions set out by IFRS 10, a company is controlled with the presence of the following three elements: (a) power on the entity acquired/established; (b) exposure, or rights, to variable returns deriving from involvement with the same; (c) capacity to utilise the power to influence the amount of these returns.

The accounts are consolidated under the line-by-line method, therefore including the entire amount of assets and liabilities and all costs and revenues regardless of the percentage of share capital held. The book value of consolidated investments is therefore derecognised against the relative shareholders' equity.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition until the date of sale. The operations, the balances as well as the unrealised profits and losses on inter-group transactions are derecognised.

The shares of shareholders' equity and of the minority interest result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

- **3.2 ASSOCIATED COMPANIES**

Associated companies are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

The acquisition was recognised under the acquisition method described in the following paragraph 4.6. After acquisition, investments in associated companies are recorded under the equity method or rather recording the Group share of the result and of the movements in the reserves respectively to the income statement and shareholders' equity. Non-realised profits and losses on inter-group transactions are derecognised for the relative share.

When the Group share of losses in an associated company is equal to or greater than the value of the investment held, the Group does not recognise additional losses unless an obligation to recapitalise exists or if payments have been made on behalf of the associated company.

- **3.3 JOINT ARRANGEMENTS**

Pursuant to provisions set forth by IFRS 11, investments in joint ventures are recorded under the equity method applied as described in the previous note. A joint venture is a joint operation where parties have rights on contractually agreed assets and obligations for agreed liabilities. As regards joint operations, the standard envisages that the proportionate assets, liabilities, costs and revenues, resulting from joint operations, are entered directly in the consolidated (and separate) financial statements.

- **3.4 CONSOLIDATION SCOPE**

The consolidated financial statements include the financial statements of the Parent Company and those companies in which the Parent Company holds control based on the provisions of IFRS 10. The financial statements of the Group's companies are prepared as of the same date and refer to a financial year of equal length.

3 Consolidation scope and principles (Continued)

The consolidated companies as of 31 December 2019 are listed hereunder:

Company	Registered office	Share capital	Percentage of share capital held Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	1,000,000 Euro	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euro	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euro	100.00%		100.00%
LG-NET S.r.l.	Rome	26,500 Euro	13.47%	76.00%	89.47%
Engineering International Belgium S.A.	Brussels	61,500 Euro	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euro		100.00%	100.00%
Engineering D.HUB S.p.A.	Pont-Saint-Martin	2,000,000 Euro	100.00%		100.00%
Cybertech	Rome	1,000,000 Euro		51.00%	51.00%
OmnitechIT Secur s.l.	Madrid	3,000 Euro		51.00%	51.00%
OmnitechIT Turkey s.l.	Gebze Osb Mah (Turkey)	5,000 TRY		51.00%	51.00%
OmnitechIT GmbH	Geilenkirchen (Germany)	25,000 Euro		51.00%	51.00%
Securetech Nordic S.A.	Stockholm	4,786 SEK		51.00%	51.00%
OmnitechIT Security AS	Oslo	30,000 NOK		51.00%	51.00%
Omnisecure d.o.o.	Belgrade	2,466,177 Rsd		30.60%	30.60%
BW digitronik A.G.	Ulster (Switzerland)	400,000 CHF		26.01%	26.01%
Pragma	Sommacampagna	100,000 Euro		26.01%	26.01%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
Engineering 365 S.r.l. (former MHT S.r.l.)	Lancenigo	2,052,000 Euro	100.00%		100.00%
Engineering Software Lab d.o.o.	Belgrade	452,000 Rsd	100.00%		100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
Engineering USA Inc.	Chicago (USA)	260,800 Usd	80.50%		80.50%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
OverIT International Inc.	Miami	50,000 Usd		80.00%	80.00%
OverIT GmbH	Munich	25,000 Euro		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	100.00%		100.00%
Sicilia e-Servizi Venture S.c.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	100.00%		100.00%
Sofiter Tech S.r.l.	Rome	204,082 Euro	51.00%		51.00%
Deus technology S.r.l.	Milan	147,000 Euro	100.00%		100.00%
Digitelematica S.r.l.	Lomazzo	100,000 Euro	80.00%		80.00%
Engineering ITS AG	Berlin	50,000 Euro	51.00%		51.00%
Engineering DSS GmbH	Dusseldorf	25,000 Euro		51.00%	51.00%
Engineering BSC GmbH	Stuttgart	300,000 Euro		51.00%	51.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		51.00%	51.00%
Engineering Software Labs s.r.o.	Prague	3,887 Euro		51.00%	51.00%

Changes in the consolidation scope compared to 31 December 2019, relate to transactions carried out during the period as summarised below:

- on 14 January 2019, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 31.5% of the shares of the subsidiary Sogeit Solutions S.r.l. bringing its holding to 100%;
- acquisition on 22 January 2019, of 100% of the share capital of Municipia Mobilità S.r.l. by the subsidiary Municipia S.p.A.;

3 Consolidation scope and principles (Continued)

- on 23 January 2019, the Board of Directors of Municipia S.p.A. approved the merger of Municipia Mobilità S. r.l. into Municipia S.p.A.;
- on 19 February 2019 the subsidiary Engineering D.HUB S.p.A acquired 51% of the share capital of Cybertech S. r.l. from the companies Omnitech Finanziaria Internazionale S.p.A. and Investo Holding S.r.l., becoming the Parent Company. As a result of this transaction, the share capital of Cybertech is distributed as follows:
  - Engineering D.HUB S.p.A. holds 51% of the share capital;
  - OmnitechIT S.r.l. holds 49% of the share capital.

As a result of the above acquisition, Engineering D.HUB S.p.A. also indirectly became the owner of the controlling interests held by Cybertech in a number of Italian and foreign companies:

- on 2 July 2019 Engineering Ingegneria Informatica S.p.A. acquired 80% of the capital of Digitelematica S.r.l.;
- on 24 September 2019, Engineering Ingegneria Informatica S.p.A. acquired 100% of the shares of Deus Technology S.r.l., with share capital equal to Euro 147,000.00 fully paid-up, registered office in Milan (MI), becoming Sole Shareholder.

In addition, while not having an impact on the consolidation scope, it should be noted that the following corporate transactions took place during the first half of the year:

- merger on 1 January 2019, of Icraft GmbH into Engineering BSC GmbH;
- merger on 1 January 2019, of KeyVolution GmbH into Bekast IT Consulting GmbH;
- merger on 1 January 2019, of Bekast IT Consulting GmbH into Engineering Software Labs GmbH;
- merger on 1 January 2019, of Icode GmbH into Engineering Software Labs GmbH.

The latter transactions described, considering their nature, have not generated any accounting impact in the Engineering Group's consolidated financial statements in terms of value of the assets and liabilities of the companies involved in the transaction.

Non-controlling interest disclosure

As required by IFRS 12, a summary of the main financial indicators of companies with significant non-controlling interests is provided below. It should be noted that the non-controlling interests in these subgroups of companies are considered relevant in relation to the contribution made to the consolidated financial statement.

(in Euros)

Company	Shares held by non-controlling holders		Profit (loss) held by non-controlling holders		Equity held by non-controlling holders	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sicilia e-Servizi Venture S.c.r.l.	35.0%	35.0%	(5,650,520)	(214,487)	(9,253,196)	(3,602,676)
EITS—Engineering ITS	49.0%	49.0%	(3,375,823)	908,472	2,140,216	5,977,914
Sofiter Tech S.r.l.	49.0%	49.0%	552,777	478,304	1,732,475	1,179,544
Cybertech	49.0%	n/a	(238,014)	n/a	(2,337,436)	n/a
ISU—Engineering USA	19.5%	19.5%	487,856	206,588	1,647,637	1,001,690
Other non controlling interests	n/a	n/a	152,418	1,102,277	(38,296)	152,982
Total	**n/a**	**n/a**	**(8,071,306)**	**2,481,155**	**(6,108,599)**	**4,709,455**

3 Consolidation scope and principles (Continued)

The table below represents the balances before intercompany eliminations:

(in Euros)

Description	Sicilia e-Servizi Venture S.c.r.l.		EITS—Engineering ITS		Sofiter Tech S.r.l.		Engineering USA Inc.		Cybertech
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Non current assets	0	0	25,036,113	23,697,896	794,397	799,858	1,774,656	194,227	1,345,761
Current assets	52,541,812	98,474,720	1,517,928	7,685,211	6,005,315	4,833,758	11,063,107	8,561,543	17,027,962
Non current liabilities	328	328	1,567,440	1,565,349	20,805	16,474	1,273,547	0	2,284,584
Current liabilities	78,979,188	108,767,753	11,485,965	9,412,226	3,243,244	3,209,909	3,123,453	2,917,838	25,650,970
Group Shareholders' Equity	(6,690,684)	(6,905,171)	10,398,935	10,860,995	1,227,849	1,705,993	4,781,722	3,278,168	(4,723,480)
Non-controlling interest Shareholders' Equity	(3,602,676)	(3,388,189)	858,287	411,690	1,179,698	701,240	1,159,781	795,102	(4,538,245)
Revenues	0	3,260	5,062,712	2,704,232	8,209,509	8,445,685	13,738,522	12,892,692	19,122,001
Expenses	(16,144,344)	(616,081)	(11,952,145)	(1,777,346)	(7,081,393)	(7,469,555)	(11,239,262)	(11,834,350)	(19,422,106)
Profit/(loss) for the year	(16,144,344)	(612,820)	(6,889,434)	926,886	1,128,116	976,131	2,499,260	1,058,341	(300,105)
Group profit/(loss) for the year	(10,493,824)	(398,333)	(3,513,611)	472,712	575,339	497,827	2,011,404	851,753	(153,054)
Profit/(loss) for the year of non-controlling interests	(5,650,520)	(214,487)	(3,375,823)	454,174	552,777	478,304	487,856	206,588	(147,052)
Cash flow from operating activities	(122,053)	(25,192)	(1,666,512)	259,041	508,223	897,931	1,564,529	1,954,611	(3,197,490)
Cash flow from investing activities	0	0	1,346,276	(4,169,674)	0	(540,000)	0	(171,809)	(206,725)
Cash flow from financing activities	0	0	442,499	3,306,873	(468,854)	(500,000)	(26,102)	264	4,242,686
Total cash flows	**(122,053)**	**(25,192)**	**122,262**	**(603,759)**	**39,370**	**(142,069)**	**1,538,427**	**1,783,066**	**838,471**

4 Accounting principles

These consolidated financial statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, management or other indicators that could report critical issues regarding the Group's ability to meet its obligations in the foreseeable future. A description of how the Group manages financial risks, including liquidity and capital risks, is provided in Note 4.27.

These financial statements were prepared using measurement criteria based on historical cost, with the exception of the fair value measurement of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.

Where not specified, the significant changes reported in these Explanatory Notes principally relate to the changes in the consolidation scope indicated above.

The accounting policies adopted in the preparation of these consolidated financial statements are described below.

- **4.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment include assets with long-term use held for the production or supply of goods and services, to be used under lease or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").

Property, plant and equipment are recognised at acquisition cost including any directly attributable costs. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

Land, both with and without civil and industrial buildings, is recorded separately and is not depreciated as it has an indefinite useful life.

Property, plant and equipment are recorded net of the relative accumulated depreciation and any losses in value. The amount to be depreciated is comprised of the carrying amount gross of depreciation and net of write-downs. Given the uniformity of the assets included in the various fixed asset categories, the useful life by category is as follows (except in specific cases):

Category	Useful life
Land	Indefinite
Buildings	33 years
Plant and machinery	3 – 6 years
EDP	3 – 6 years
Furniture, office machinery and equipment	6 – 8 years
Motor vehicles	4 years

Property, plant and equipment are depreciated on a straight-line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.

The book value of a tangible fixed asset is recognised within the value limits that this asset may recover through use. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Depreciation starts when the asset is available and ready for use.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is derecognised from the financial statements and any loss or gain (calculated as the difference between sale price and the book value) is recorded to the income statement.

4 Accounting principles (Continued)

- **4.2 LEASING**

Periods commencing 1 January 2019

Accounting for the lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. At the date of initial recognition, the lessee will recognise the asset (a right of use) covered by the contract at the same value attributed to the related financial liability, adding other components of direct costs and any advance fees. The lessee shall determine the duration of the lease, which shall begin on the date on which the asset is available for use, to which shall be added any periods covered by an option to extend/resolve the lease, if the lessee is reasonably certain to exercise/not to exercise that option.

The liability relating to the lease contract is recognised at the present value of the lease payments due, discounted using the interest rate implicit in the lease contract or, if it is not available, the Group uses its incremental borrowing rate, i.e. the interest rate that it is prepared to pay to finance itself in order to obtain the right to use an asset with the same characteristics as the lease contract.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The liability is subsequently restated to take account of any new valuations or changes in the lease or revision of substantially fixed payments, it is reduced as a result of payments and is increased to reflect interest. Variable payments that do not depend on indices or rates and are therefore not reflected in the liability relating to the lease contract must be recorded in the income statement when the instalment is paid.

The Group restates the value of the lease liabilities (and adjusts the value of the corresponding right of use) if there is:

- a change in the duration of the lease or there is a change in the assessment of the exercise of the option right; in this case, the lease liability is recalculated by discounting the new lease payments at the revised discount rate;
- a change in the value of the lease payments following changes in the indices or rates, in such cases the lease liability is recalculated by discounting the new lease payments at the initial discount rate (unless the payments due under the leases change as a result of interest rate fluctuations, in which case a revised discount rate must be used);
- a lease agreement has been modified and the modification is not included in the case studies for the separate recognition of the lease agreement. In such cases, the lease liability is recalculated by discounting the new lease payments at the revised interest rate.

The Group did not detect any of the aforementioned changes in the period.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right of use is depreciated on a systematic basis over the term of the lease contract. If the lease provides for the transfer of ownership or a redemption option whose exercise is considered reasonably certain at the end of the contract, the right of use is depreciated over the useful life of the asset. The depreciation starts at the commencement date of the lease.

4 Accounting principles (Continued)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

A provision for risks is made in compliance with the provisions of IAS 37 in the event that the Group is obliged to bear the costs for dismantling and removing the leased asset, restoring the site where the asset is leased or restoring the well under the conditions required by the terms of the contract. These costs are included in the value of the right of use.

The right of use is subject to the impairment process provided for by IAS 36 in case of indicators of a loss in value.

This value will also change as a result of new valuations or changes in the liability relating to the lease contract.

In the statement of the consolidated cash flow statement, the Group divides the total amount paid between the principal portion (recognized in the cash flow deriving from financial activity) and the interest portion (entered in the cash flow deriving from financial activity).

Cases of exclusion from the application of IFRS 16

The Group has decided not to recognize assets for the right of use and liabilities related to leasing:

- short term (equal to or less than one year);
- leasing of low value assets (identified below Euro 5,000).

Therefore, the Group recognizes the payments due relating to the aforementioned leases as a cost on a straight-line basis over the lease term.

Lease accounting for the lessor

If the lease has the characteristics of a loan, the lessor recognises under financial receivables the amount of the lease payments to be received and distributes the gross receipts so as to obtain a constant rate of return based on the net investment method.

If, on the other hand, the lease has the characteristics of an operating lease, the lessor will continue to keep the asset under its fixed assets and will record the receipts as income on a straight-line basis over the lease term.
The costs incurred to obtain the contract are considered as accessory charges to the leased asset.

Periods before 1 January 2019

- **In the case in which the Group is the lessee**

  Lease contracts concerning assets in which the Group substantially holds all the risks and benefits from ownership are classified as finance leases. Assets acquired under finance leases are recorded under tangible fixed assets and against the financial payable to the lessor and depreciated according to the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract. Lease contracts in which the lessor retains a significant amount of the risks and benefits deriving from the ownership are instead classified as operating leases; the lease payments are booked in the income statement on a straight-line basis for the whole duration of the contract.

- **In the case in which the Group is the lessor**

  For assets leased under a finance lease contract, the current rental amount under the lease is recognised as a financial receivable. The difference between the net book value and the current value of the receivable is recognised to the income statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated in a similar manner to assets owned, with rental instalments recognised on a straight line basis over the duration of the contract.

4 Accounting principles (Continued)

- **4.3 INTANGIBLE ASSETS**

The intangible assets, all with definite useful life with the exception of the trademark, are recognised where identifiable and are likely to produce future economic benefits for the Group.

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value of the price paid to acquire the asset and any other direct costs incurred to prepare the asset for use. For intangible assets generated internally, the generation of the asset is broken down into the periods of research (non-capitalised) and the period of development (capitalised). Where the two periods are indistinguishable, the entire project is considered as research and is recorded directly to the income statement.

Realised assets are amortised from the time of use or when they are sold. To date they have been classified under assets in progress.

Financial charges incurred to acquire an intangible fixed asset are never capitalised.

After initial recognition, intangible assets are recognised on a cost basis, net of accumulated amortisation and any impairment. Amortisation is applied on the straight-line basis over the period of expected use. Given the homogeneity of the assets included within financial statement categories, with the exception of specific significant cases, the useful lives per category are as follows:

Category	Useful life
Development costs	1 – 5 years
Industrial patents and intellectual property	1 – 5 years
Engineering trademark	Indefinite
Concessions, licenses and trademarks	1 – 8 years
Customer relationship/customer list	1 – 5 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

The book value of an intangible asset is maintained in the accounts as long as there is evidence that this value may be recovered through usage. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Software

Costs directly associated with information technology products, created internally or acquired from third parties are capitalised as intangible assets when the following conditions are met:

- the technical feasibility and intention to complete the product in order that the latter may be available for use or sale;
- the capacity to use or sell the product;
- a definition of the manner by which the product will generate probable and future economic benefits (the existence of a market for the product, or its internal use);
- the availability of adequate technical, financial and other resources for the purposes of completing the development and the use/sale of the product;
- the capacity to reliably estimate the cost attributable to intangible assets during development of the product.

Expenses for substantial updating of products are capitalised as improvements and added to the original cost of the software. Development costs that improve product performance or upgrade the product to regulatory requirements are reflected in projects created for customers and are thus expensed during the financial year in which they are incurred.

4 Accounting principles (Continued)

- **Concessions, licenses and trademarks**

Costs associated with the purchase of concessions, licenses and trademarks are capitalised under intangible fixed assets. The cost comprises the fair value of the price paid to acquire the right and any other direct costs incurred for its adaptation or for implementation within the operating or productive context of the entity. The period of amortisation does not exceed the lower between the useful life and the duration of the legal/ contractual rights.

- **4.4 GOODWILL**

Goodwill is the excess of an acquisition cost in comparison to the company share of the fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill from the acquisition of companies for payment is not amortised and is subject to an impairment test at least once a year. For this purpose, goodwill is allocated to one or more Cash Generating Units (CGU). Potential reductions in value emerging from the impairment test are not reversed in subsequent periods.

In the case of the sale of assets (or part of an asset) of a CGU, any goodwill associated is included in the book value of the asset in order to determine the profit or loss from sale in proportion to the value of the CGU sold.

Goodwill relating to associated companies or other companies is included in the book value of these companies.

At period-end, goodwill is subject to impairment testing and adjusted for any losses. Losses are booked directly to the income statement.

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash flow, and are then measured using impairment test.

A current value is determined for the relevant asset using a Discounted Cash Flow Model (DCF) based on the end of year account situation for each CGU. The current value is compared with the net book value and goodwill recorded in the financial statements to determine whether it is necessary to write-down the investment and record a loss in the financial statements.

- **4.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)**

An impairment is established wherever the book value of an asset is greater than the recoverable value. Where indicators of an impairment exist, an estimate of the recoverable value of the asset is made (impairment test) and any write-down is applied. An impairment test is carried out at least annually for indefinite useful life assets, irrespective of the existence of such indicators.

The recoverable value of an asset is recorded at the greater of its fair value, net of sales costs, and its usage value. The recoverable value is calculated for each individual asset, unless it is not capable of generating cash flows from continuous use sufficiently independent of cash flows generated from other assets or groups of assets, in which case the test is carried out at the level of the smallest independent Cash Generating Unit which comprises the relevant assets.

- **4.6 BUSINESS COMBINATIONS**

In IFRS 3, business combinations are defined as "a transaction or other event in which a purchaser obtains control of one or more businesses".

A business combination can be created through various procedures based on legal, fiscal or other motives.

It may also involve the acquisition by an entity of share capital of another entity, acquisition of the net assets of another entity, undertaking of the liabilities of another entity or the acquisition of part of the net assets of another entity which, combined, establish one or more company activities. The combination may be realised through issue of instruments representing share capital, the transfer of cash or other liquid assets or other assets, or by a combination of the above. The operation may take place between shareholders of an entity which

4 Accounting principles (Continued)

combine or between an entity and shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the acquisition method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not of their book value. The difference (if positive) comprises the goodwill.

The changes in the interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as equity. In this event, the book values of the holdings must be adjusted to reflect the changes in their relative holdings in the subsidiaries. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders' equity and allocated to shareholders of the Parent Company.

- **4.7 EQUITY INVESTMENTS**

Acquisitions are recorded at the fair value of the investment plus any directly attributable costs.

A significant and prolonged decrease in equity investment fair value below the initial booked cost is considered an objective indication of value loss.

Associated companies

Associated companies are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

- **4.8 OTHER NON-CURRENT ASSETS**

Financial receivables with a due date beyond 12 months and investments in other companies are recorded under other non-current assets.

Investments in other companies refer to equity investments other than subsidiaries, associated companies and joint ventures and are recorded at the fair value through other comprehensive income.

- **4.9 INVENTORIES**

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.

Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses.
The purchase cost is inclusive of all directly attributable costs and indirect costs and is determined according to the weighted average cost method.

Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

- **4.10 CUSTOMER CONTRACT ASSETS**

Customer contract assets are represented by specific projects in the course of completion based on long-term contracts.

If the result of a project in course can be reliably estimated, the contractual revenues and costs are recorded based on the percentage of completion method, so as to attribute the revenues and profits over the entire duration of the contract.

If the result of a project in course of completion cannot be reliably estimated, the contractual revenues are recorded for the amount of costs incurred if it is probable that such costs are recoverable.

4 Accounting principles (Continued)

The sum of costs incurred and the result on each project is compared with the invoices issued on account at the date of the preparation of the accounts. If the costs incurred in addition to the profits recorded (deducting losses) are greater than the invoices issued on account, the difference is recorded under current assets in the item "Customer contract assets". If the invoices on account are greater than the costs incurred plus the profits (deducting the losses), the difference is classified under current liabilities in the account "Trade payables".

- **4.11 DEFERRED CONTRACT COSTS**

4.11.a Incremental costs of obtaining a contract

IFRS 15 allows for the capitalisation of costs of obtaining a contract, provided that they are considered "incremental" and recoverable through the future economic benefits of the contract. All costs incurred as a result of the acquisition of the contract are considered as incremental costs. Costs, on the other hand, which have been incurred independently of the acquisition of the contract, and therefore they cannot be classified as incremental, are expensed in the income statement as they are not related to the stage of completion (not a cost to cost component).

Incremental costs are suspended and booked under a specific item of current assets (deferred contract costs) and systematically released together with the transfer of control of the goods/services to the customer.

4.11.b Costs of fulfilling a contract

IFRS 15 provides for the capitalisation of costs for the fulfilment of the contract, i.e. those costs that meet all of the following criteria:

- relate directly to the contract;
- generate and improve resources that will be used to meet the contractual performance obligation in the future;
- are recoverable through future economic benefits of the contract.

Usually this type of cost is represented by pre-operating costs, which are not explicitly recognised within contracts with customers and are remunerated through the contract overall margin. In this case, in compliance with the three conditions mentioned above, pre-operating costs are systematically suspended and released, corresponding to the transfer of control of the goods/services to the customer.

In addition to the above, new provisions set out in IFRS 15 define all the costs that, for their type and nature, cannot be used for the course of the contract as, despite the fact that they are specifically referable to the contract and considered as recoverable, they do not generate or improve the resources that will be used to fulfil the contract performance obligation, or contribute to transfer the control of goods and/or services to customers.

- **4.12 TRADE RECEIVABLES**

Trade receivables are held as part of a business model whose objective is to collect contractual cash flows consisting solely of payments of principal and interest on the amount of principal to be refunded. Consequently, they are initially recognised at transaction price, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method (i.e. the rate that equalise the current value of expected cash flows and the carrying amount at the time of initial recognition), suitably adjusted to take account of any write-downs, by recording a doubtful debt provision. Trade receivables are included in current assets, with the exception of those falling due more than twelve months after the reporting date, which are classified as non-current assets.

At each reporting date, financial assets, with the exception of those measured at fair value with a contra-entry recognised in the income statement, are analysed to assess the existence of any possible impairment indicators.

IFRS 9 requires the application of a model based on expected losses on receivables. The Company applies the simplified approach to estimate expected losses along the receivable useful life and takes into account its

4 Accounting principles (Continued)

historical experience of losses on receivables, adjusted to reflect current conditions and estimates of future economic conditions. The model of expected losses on receivables requires the immediate recognition of expected losses over the useful life of the receivable, since it is not necessary for a trigger event to occur for the recognition of losses.

For trade receivables recorded at amortised cost, when an impairment has been identified, its value is measured as the difference between the asset book value and the present value of expected future cash flows, discounted at the original effective interest rate. This value is recognised in the income statement.

Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were derecognized from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

- **4.13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, bank deposits on demand, other short-term financial assets with original expiry not greater than 3 months and current account overdrafts. The latter, in the preparation of the statement of financial position, are included under "financial liabilities". Cash and cash equivalents are recognised at fair value.

- **4.14 DISCONTINUED OPERATIONS**

A discontinued operation is a company component that has been sold or is reclassified as held for sale and represents an important independent operation or geographical area of operation or a subsidiary acquired solely for the purpose of resale. An operating activity is classified as discontinued at the moment of the sale or when the conditions have been satisfied for classification in the category "held for sale", if prior. When an operation is classified as sold, the separate income statement and the comparative comprehensive income statement are re-determined as if the operation were discontinued at the beginning of the comparative period.

- **4.15 SHARE CAPITAL**

Share capital consists of fully paid-up and subscribed capital. Treasury shares are recorded as a reduction of the share capital for the nominal value of the shares while the excess of the book value compared to the nominal value is recorded as a reduction of the other reserves. No profit (loss) is recorded to the income statement for the purchase, sale or cancellation of equity instruments held.

- **4.16 RESERVES**

The reserves consist of specific capital reserves.

- **4.17 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)**

The item "Retained earnings/(losses carried forward)" includes the net profit of the current and previous periods which was neither distributed nor allocated to reserves (in the case of profits) or recapitalised (in the case of losses). This item also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

- **4.18 FINANCIAL LIABILITIES**

Financial liabilities are initially booked at the fair value of collected sums, adjusted for any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest criteria.

- **4.19 TREATMENT OF THE PUT OPTIONS ON SUBSIDIARY SHARES**

IAS 32 establishes that a contract that contains an obligation for an entity to acquire shares in cash or against other financial assets, gives rise to a financial liability for the current value of the option exercise price.
Therefore, the liability must be recognised unless the entity has the unconditional right to avoid the delivery of cash or other financial instruments upon the exercise of the put option on subsidiary shares.

4 Accounting principles (Continued)

The Group shall recognise, as a contra-entry to equity reserves, the liability arising from the obligation and subsequent changes in the liability related to the unwinding of the discount in the income statement account.

- **4.20 EMPLOYEE BENEFITS**

Short-term employee benefits

Short-term employee benefits are recorded to the income statement in the period in which the work is carried out. The Company records a liability for the amount that it expects will have to be paid in the form of profit-sharing and incentive plans when it has a current, legal or implicit obligation to make such payments as a consequence of past events and for which the obligation can be reliably estimated.

Post-employment benefits

Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the benefits owed to employees for termination of employment are recorded in the income statement as a cost if the offer is likely to be accepted, and if the number of employees, expected to accept the offer, can be reliably estimated. Benefits owed after twelve months following the closing date of the financial year are discounted.

Defined benefit plans

Post-employment benefits represent a plan of defined benefits which are certain in terms of their existence and sum but uncertain in terms of the vesting of the post-employment benefits accrued as of 31 December 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected Unit Credit" method.

Actuarial profits and losses are recognised in the comprehensive income statement and recorded under shareholders' equity on an accrual basis.

Defined contribution plans

As from 1 January 2007, the Group companies participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programmes; the latter may be mandatory, contractual or voluntary. Payment of the contributions fulfils the Company's obligation to its employees. Contributions thus constitute costs for the period in which they are due.

Share-based payments

Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to Share Based Payments Equity Settled, the cost of the incentive plan is apportioned along the vesting period and it is determined with reference to the fair value of the right assigned, at the date in which the commitment is undertaken, so that existing market conditions are reflected at the reference date. At each reporting date, all hypotheses are reviewed in relation to the number of options that are expected will reach maturity. The charge pertaining to the year is recorded in the income statement, under the item "Personnel costs", and its contra-entry is recognised as equity reserve.

- **4.21 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

According to IAS 37 provisions for risks concern the probable liabilities of uncertain amount and/or maturity relating to past events whose fulfilment will necessitate the use of resources.

Allocations are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.

4 Accounting principles (Continued)

The amount represents the best estimates in relation to resources required for fulfilling the obligation, including legal defence charges. Where the effect of the current amount of the payment is significant, the amount of the provision is represented by the value of resources considered necessary to satisfy the obligation on maturity discounted at a nominal rate without risks. The contingent assets and liabilities (possible assets and liabilities or not recorded as the amount may not be reliably estimated) are not recorded in the financial statements.

Information in this regard is provided however.

- **4.22 REVENUES AND COSTS**

Revenues

The Company recognises revenues deriving from contracts with customers and the related effects on accounts through the following steps:

a) identification of the contract;

b) identification of the performance obligations in the contract;

c) determination of the transaction price;

d) allocation of the transaction price to each identified performance obligation;

e) recognition of revenues when the performance obligation is met.

Therefore, the amount that the Company recognises as revenue must reflect the consideration to which it is entitled in transfer of goods and/or services to customers. These amounts shall be recognised when the underlying contractual performance obligations have been fulfilled, or when the Group has transferred control of the goods or services to the customer, in the following ways:

a) over time;

b) at a point in time.

The table below shows the main types of products and services that the Group provides to its customers and the related methods of recognition:

	Revenue Stream			
Fulfilment of obligations	**Deliverable-based contracts**	**Resource-based contracts**	**Service-based contracts**	**Assistance and maintenance based contracts**
At a point in time	n/a	n/a	Service provision tied to the occurrence of specific events. Revenues are recognized based on the occurrence of specified events (for example delivery/ installation).	n/a
Over time	Annual and multi-annual orders. Revenues are recognized based on the percentage of accrued costs on total contract costs in relation to total contract revenues.	Consulting services. Revenues are recognized based on the number of working days and the price list established in the contract.	n/a	Assistance and maintenance services. The service is provided periodically and costantly over the contract period. Revenues are recognized periodically, according to the agreement (monthly, quarterly, yearly and so on).

Deliverable-based contracts

Deliverable-based contracts typically include fixed price projects (e.g.: system integration or design and development of customized IT systems and related processes, the engineering of industrial processes and the distribution and storage of energy and water, online ticketing).

4 Accounting principles (Continued)

Contract terms typically range from 1 to 2 years.

Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or level of benefits delivered to the customer.

For deliverable-based contracts, revenue is generally recognized over time, because at least one of the following conditions is met:

(i) the Group's performance enhances or creates an asset that the customer controls as the Group performs; or

(ii) the Group builds an asset that has no alternative use (e.g. it is customer-specific) and the Group has an enforceable right to payment for performance to date in case of termination by the customer.

The Group applies the "cost-to-cost" method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract. Estimates of total contract costs are revised when new elements arise and changes in estimates and related percentage of completion are recorded in the income statement.

The related costs on deliverable-based contracts are expensed as incurred. The Group earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed.

The difference between the revenue recognized and the billing already carried out to certify the progress of the work is recorded as "Contract assets".

Any up-front fees (non-refundable) received are recognized over the duration of the service.

Resource-based contracts

This type of contracts generally includes IT consultancy or operational activities on IT systems.

Revenue from Resource-based contracts is recognized based on working hours (or days spent) finalized for the fulfillment of the service.

Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services.

The services are priced based on the number of working hours/working days spent on the contract. The amount to be billed is representative of the value of the service delivered to the customer and therefore, applying the right-to-bill practical expedient, revenue is recognized over time based on the working hours spent/working days valued on the basis of defined prices.

Service-based contracts

The Group supplies goods (e.g. software) and services (e.g. installation, tax collection etc.) to customers. These revenues are recognised at a point in time, when the control of the goods have passed to the customer and when all the benefits deriving from the performance have been transferred to the customer.

In particular, as far as Public Administration and tax collection are concerned, the revenue is recognized when the evidence of the collection has been provided (e.g. tax has been paid by the tax payer). The direct costs charged to the tax collection activity which are considered recoverable through the fees that are reasonably expected to be collected over the duration of the contract are recognized, up to the moment the obligation is fulfilled, among the "Deferred contractual costs".

Any up-front fees (non-refundable) received are recognized over the duration of the service.

Assistance and maintenance based contracts

This type of contract generally includes assistance and maintenance services, cloud services, and licensing.

Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services.

4 Accounting principles (Continued)

The amount to be invoiced is representative of the service provided monthly/quarterly to the customer. Any up-front fees (non-refundable) received are recognized over the duration of the service.

In addition, the need to assess the probability of obtaining/collecting the economic benefits linked to the income is highlighted, as regards the recognition of revenues. As regards the customer contract assets (i.e. contractual activities), the requirement to proceed with the recognition of revenues is introduced, also taking into account any discounting effect deriving from over time collections, as explained in the Note 13.

Costs

Interest is recorded at the effective rate based on the accruals principle.

Costs relating to the acquisition of new knowledge or discoveries, to the study of alternative products or processes, of new techniques or models, to the design and construction of prototypes or incurred for other scientific research activities or technological development are generally considered current costs and recorded to the income statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

Dividends

Dividends are recognised at the date of endorsement of the resolution by the Shareholders' Meeting, unless the sale of shares is reasonably certain before the coupon detachment date.

- **4.23 GRANTS**

Grants are recognised when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met.

When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate.

When the grants relate to an asset, for example plant, they are recorded in the income statement under revenues rather than as an adjusted item of the book value of the asset for which it was obtained. Subsequently the useful life of the asset for which it was granted is taken into account using the deferral technique.

Public grants drawn down as compensation of expenses and costs already incurred or with the intention to provide immediate financial aid to the entity without which there would be future costs, are recorded as income in the year in which they become payable.

- **4.24 DEFERRED AND CURRENT TAXES**

Current income taxes for the financial year are calculated based on an estimate of taxable income in compliance with tax law provisions.

Deferred taxes are recognised with reference to the temporary differences between the book value of the assets and liabilities recorded in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets are recognised for tax losses and tax credits not used and carried over, as well as the assumed temporary differences, insofar as there is a probable future taxable income for which the assets can be used. The value of deferred tax assets is revised at the closing date of each financial year, and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

- **4.25 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES**

Functional and presentation currency

The financial statements items are valued utilising the currency of the primary economic environment in which the entity operates ("functional currency").

4 Accounting principles (Continued)

The functional currency of the Parent Company is the Euro, which is the presentation currency of the consolidated financial statements.

Operations and balances

Currency operations are translated into the presentation currency by using the exchange rate effective on the transaction date. Exchange gains and losses from the settlement of these transactions and the conversion of monetary assets and liabilities into foreign currencies at the date of preparation of the accounts are recorded in the income statement.

Conversion of financial statements of foreign operations

A foreign operation is an entity that is a subsidiary, associated company or joint venture of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. The statement of financial position and income statement figures expressed in the functional currency of foreign operations are converted into the presentation currency of the consolidated financial statements at the exchange rate at year-end for assets and liabilities and at the exchange rate in force at the date of the related transactions for revenues and costs in the income statement or the comprehensive income statement. These latter are converted at the average exchange rate in the period when such approximates the exchange rate at the date of the respective operations. Exchange differences deriving from such conversions and from the conversion of the opening shareholders' equity at the closing exchange rate are recognised in the comprehensive income statement. The total amount of the exchange differences is presented as a separate shareholders' equity item until the divestment of the foreign operation.

- **4.26 CHANGES IN ACCOUNTING STANDARDS, ERRORS AND CHANGE OF ESTIMATES**

Changes in accounting standards

Accounting standards are changed from one year to the next only when the change is required by a standard or if it contributes to providing more reliable and significant information about the effects of transactions on financial standing, as well as on the economic results, or cash flows, of the entity. Changes in accounting policies are accounted for retrospectively with the effect recorded in shareholders' equity for the first of the financial years presented. The comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous paragraph.

Correction of errors from previous periods

In the case of significant errors, the same method that is used for changes in accounting standards illustrated in the previous paragraph is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in accounting estimates

Changes in accounting estimates are recognised and are booked to the income statement in the period in which the change occurs, so long as the change only affects this period; where the change also affects future periods, the changes are booked in both the period in which the change occurs and in the future period.

- **4.27 FINANCIAL RISK AND CAPITAL MANAGEMENT**

As in all businesses, risk factors, which may affect the Group results, exist and therefore preventive actions have been taken. These procedures concern the commitment and responsibilities undertaken and are subject to maximum transparency and correctness. The Company's risk management policies aim at identifying and analysing risks to which the Company is exposed, establishing appropriate limits and controls and monitoring risks with respect to those limits. These policies and the related systems are regularly revised to reflect any variations in market conditions and Group activities.

4 Accounting principles (Continued)

The Company's activities are exposed to the following risks: market risk (defined as exchange and interest rate risks), credit risk and liquidity risk.

The Board of Directors provides for a high level of capital management policies in order to maintain trust among investors, creditors and the market, allowing for future development. The Board also monitors capital returns, understood as the result from operations compared with total shareholders' equity. Furthermore, the Board of Directors monitors the level of dividends to be distributed to holders of ordinary shares.

4.27.1 Credit risk

Credit risk represents the Company's exposure to the risk of potential losses resulting from the non-performance of obligations undertaken by the counterparties.

The allocations for doubtful debts provisions carried out by Group companies reflect the expected credit losses.

The Group manages credit risk mainly by having relationships with counterparties with a high creditworthiness and does not present significant concentrations of credit risk. Maintaining effective credit risk management is a strategic objective for the Group and in this sense, the type of business and the payment instruments activated guarantee a limited credit risk overall.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Maximum credit risk exposure is examined in more detail in paragraph 14.

4.27.2 Liquidity risk

Liquidity risk is understood as the difficulty of fulfilling obligations associated with financial liabilities settled in cash or through another financial asset.

The difficult economic and financial context of the markets requires particular attention to be paid to the management of liquidity risk and in this sense to actions aimed at generating financial resources through operational management and maintaining an adequate level of available liquidity. The Group therefore plans to meet the requirements deriving from financial payables falling due and expected investments through cash flows from operations, available liquidity and centralised management of the Group's treasury.

The Group believes that it has access to sufficient sources of financing to meet its planned financial needs, taking into account its cash and cash equivalents, its ability to generate cash flows, its ability to find sources of financing in the bond market and the availability of credit lines from banks.

A detailed analysis of the due dates for financial liabilities is contained in paragraphs 20 and 25 hereof.

4.27.3 Market risk

The strategy followed for this type of risk is aimed at mitigating interest rate and exchange rate risks and optimising the cost of debt.

These risks are managed in accordance with the principles of prudence and in line with "best market practices". The main objectives set out in the policy are as follows:

- to pursue the defence of the long-term plan scenario from the effects caused by exposure to exchange rate and interest rate risks, by identifying the optimal combination of fixed and variable rates;

4 Accounting principles (Continued)

- to pursue a potential reduction of the Group's debt cost;
- to manage transactions in derivative financial instruments, taking into account the economic and equity impacts that these transactions may have, including in relation to their classification and accounting.

The exposure to interest rate risk arises from the need to finance operations and M&A investments and using available liquidity. Fluctuations in market interest rates can have a negative or positive impact on the Group's economic result, indirectly influencing the costs and returns of financing and investment transactions. The interest rate risk to which the Group is exposed derives from bank loans.

The Group constantly monitors the trend in interest rates to mitigate this risk and, when deemed appropriate, possibly makes use of derivative instruments designated as "cash flow hedges".

The use of such instruments is governed by written procedures consistent with the Group's risk management strategies, which do not include derivative instruments for trading purposes.

- **4.28 RELATED PARTIES**

Engineering Ingegneria Informatica S.p.A. approved the procedure for the identification and carrying out of Transactions with Related Parties through Board of Directors' resolution of 12 November 2010, effective on 1 January 2011. During the financial year the Company carried out transactions with a number of related parties.

All balances with related parties were determined under normal market conditions. The general conditions governing transactions with senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with Executives without strategic responsibility of the same entities.

- **4.29 NEW IFRS AND IFRIC INTERPRETATIONS**

For the purposes of drafting the Group's consolidated financial statements, the International Accounting Standards (IFRS) approved by the European Commission and effective on 31 December 2019 were applied. With reference to the new IFRS in force, we highlight the first application of IFRS 16 "Lease", as from 1 January 2019, whose impacts are commented on in detail below.

Accounting standards, amendments and IFRS and IFRIC interpretations applied as of 1 January 2019

The following accounting principles, amendments and IFRS interpretations were applied for the first time by the Group as of 1 January 2019.

- **IFRS 16 "Leases"**

Impacts deriving from the adoption of IFRS 16

The project to identify the impact of the new standard on the Group's accounting balances was carried out in several stages, including the mapping of contracts potentially suitable to contain a lease contract and the analysis of the same in order to understand the main clauses relevant to the application of IFRS 16. It emerged that the most significant lease contracts held by the Group mainly relate to operating leases of property.

The Group has chosen to apply IFRS 16 using the modified retrospective approach, without changing the comparative data for 2018, in accordance with the provisions of IFRS 16: C7-C13. In particular, the Group has accounted for the leases previously classified as operating: a) a financial liability, equal to the present value of future payments remaining on the transition date, discounted using for each contract the incremental borrowing rate applicable on the transition date; b) a right of use equal to the value of the financial liability on the transition date, net of any accrued income and prepaid expenses referring to the lease and recognized in the balance sheet on the closing date of these financial statements.

It should be noted that leased assets recognised in application of IFRS 16 "Leases" have been shown under "Rights of use and leased assets" in the consolidated statement of financial position as of 31 December 2019, and are detailed in the table in Note 8.

4 Accounting principles (Continued)

The following table shows the impacts deriving from the adoption of IFRS 16 on the Group's statement of financial position as of 1 January 2019.

Assets	*(in millions of Euros)* Impacts at the transaction date (01.01.2019)
Non-current assets	
Rights of use land and buildings	145
Rights of use other assets	10
Rights of use plant and machinery	0
Rights of use industrial and commercial equipment	7
Total	**162**
Shareholders' equity and liabilities	
Shareholders' equity	**0**
Shareholders' equity	0
Non-current liabilities	
Financial liabilities for non-current leases	148
Current liabilities	
Financial liabilities for current leases	14
Total	**162**

The Group has chosen to refer to a marginal debt rate ("incremental borrowing rate" or "IBR") in line with a hypothetical loan that would have been obtained in the current economic context, defined for groups of contracts with similar residual duration. In particular, the individual IBR takes into account the Risk free rate identified on the basis of factors such as the economic context, the currency, the contractual maturity, and the Credit Spreads which reflects the Group's organization and financial structure.

The IBRs applied to discount the lease payments as of 1 January 2019 are shown below:

Currency	Within 3 years	From 4 to 9 years
EUR	0.85%	1%

In adopting IFRS 16, the Company has made use of the exemption granted in paragraph IFRS 16:5(a) in respect of short-term leases for the following classes of assets:

- Buildings;
- Vehicles;
- HW and SW.

Likewise, the Company availed itself of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract that do not exceed Euro 5,000, when new). The contracts for which the exemption has been applied fall mainly into the following categories:

- HW and SW

For these contracts, the introduction of IFRS 16 did not result in the recognition of the financial liability of the lease and the related right of use, but the lease instalments are recognised in the income statement on a straight-line basis for the duration of the respective contracts.

In addition, with reference to the transition rules, the Company has made use of the following practical expedients available in the event of choosing the modified retrospective transition method:

- use of a single discount rate for lease portfolios with reasonably similar characteristics;
- use of the assessment carried out at 31 December 2018 according to the rules of IAS 37 Provisions,

4 Accounting principles (Continued)

Contingent Liabilities and Contingent Assets in relation to the accounting of onerous contracts as an alternative to the application of the impairment test pursuant to IAS 36 on the value of the right of use on 1 January 2019;

- classification of contracts that expire within 12 months from the transition date as a short term lease. For these contracts, lease payments are recorded in the income statement on a linear basis;
- exclusion of the initial direct costs from the measurement of the right of use on 1 January 2019;
- use of the information present on the transition date for the determination of the lease term, with particular reference to the exercise of extension and early closing options.

Reconciliation of lease commitments

To better understand the impact of first-time adoption of the standard, the following table provides a reconciliation between future commitments relating to lease contracts, as disclosed in paragraph 4.29 of the consolidated financial statements as of 31 December 2018, and the impact of the adoption of IFRS 16 on 1 January 2019.

	(in millions of Euros)
Reconciliation of lease commitments	**01.01.2019**
Commitments for operating leases as of 31.12.2018	**147**
Minimum payments on finance lease liabilities as of 31.12.2018	7
Short term lease instalments (exemption)	(4)
Low-value lease instalments (exemption)	0
Non-lease components amount included in the liability	(4)
Instalments per extension period	46
Other changes	0
Undiscounted financial liability for leases as of 01.01.2019	**192**
Discounting effect	(23)
Financial liabilities for leases as of 01.01.2019	**169**
Current value of financial lease liabilities (ex IAS 17) as of 31.12.2018	(7)
Financial liability for additional leases due to the transition to IFRS 16 as of 01.01.2019	**162**

- **Amendments to IFRS 9 "Prepayment Features with Negative Compensation"**

  On 12 October 2017, the IASB published an amendment to **IFRS 9 "Prepayment Features with Negative Compensation"**.

- **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"**

  On 7 June 2017, the IASB published the interpretation **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"**.

- **"Annual Improvements to IFRSs: 2015-2017 Cycle"**

  On 12 December 2017, the IASB published the document **"Annual Improvements to IFRSs: 2015-2017 Cycle"**, which includes the amendments to the standards within the annual improvement process. The main amendments involve:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements;
  - IAS 12 Income Taxes;
  - IAS 23 Borrowing Costs.

4 Accounting principles (Continued)

- **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**

  On 7 February 2018, the IASB published the document **"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**. The adoption of these amendments had no impact on the Group consolidated financial statements.

- **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**

  On 12 October 2017, the IASB published the document **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**.

  With the exception of that illustrated in the IFRS 16 "Leases" paragraph, the adoption of these amendments did not have an impact on the Group consolidated financial statements.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

At the date of authorisation of these consolidated financial statements, the competent bodies of the European Union had not yet completed the process of approval that is necessary for the adoption of the amendments and standards described below.

- On 18 May 2017, the IASB published **IFRS 17—Insurance Contracts**, which is intended to replace IFRS 4—Insurance Contracts.

  The standard is applicable as from 1 January 2021 but early application is permitted only for entities applying IFRS 9—Financial Instruments and IFRS 15—Revenue from Contracts with Customers. The Directors deem that the adoption of this standard will not have a significant effect on the Group consolidated financial statements.

- On 22 October 2018, the IASB published the document **"Definition of a Business (Amendments to IFRS 3)"**. Considering that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects will be recognised in the consolidated financial statements closed after that date.

- On 31 October 2018, the IASB published the document **"Definition of Material (Amendments to IAS 1 and IAS 8)"**. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"**. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- Amendments to **"References to the Conceptual Framework in IFRS Standards"** (Conceptual Framework). Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued amendments to **"References to the Conceptual Framework in IFRS**

Standards". The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

- **4.30 SEASONALITY OF GROUP TRANSACTIONS**

  The activities of the Group are not subject to seasonality.

5 Segment information

The management considers the Group as six operating segments under IFRS 8.

5 Segment information (Continued)

Information reported to Group's Chief Executive (the Chief Operating Decision Maker—CODM) for the purposes of resource allocation and assessment of segment performance is focused on the skills and reference market and reflect the business model which is currently split in 6 industries:

- Finance refers to the IT services provided to banks, insurance companies and financial institutions;
- Public Administration refers to the IT services provided to central and local public administration;
- Health refers to the IT services provided to healthcare;
- Industry & Services refers to the IT services provided to large and medium-sized corporations;
- Telco & Media refers to the IT services provided to telecommunication companies and other media corporations;
- Energy & Utilities refers to the IT services provided to players in the energy and utilities markets.

The accounting policies of operating segments are the same as the Group's accounting policies described in Note 4. Adjusted EBITDA represents the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Revenues and direct costs are allocated in relation to the related industry. The other income and operating expenses, not specifically attributable to segment, have been attributed in relation to their contribution margins, that represents the most appropriate driver to allocate them.

The following is an analysis of the Group's revenue by operating segment.

Description	*(in Euros)* 2019		2018	
Revenues				
Finance	274,620,191	22.0%	239,738,776	20.8%
Public Administration	267,615,676	21.4%	233,552,552	20.2%
Health	70,391,104	5.6%	63,851,276	5.5%
Industry & Services	280,226,500	22.4%	252,981,213	21.9%
Telco & Media	160,039,488	12.8%	181,461,499	15.7%
Energy & Utilities	197,989,172	15.8%	183,306,856	15.9%
Total revenues	**1,250,882,131**	**100.0%**	**1,154,892,172**	**100.0%**

There are not any intersegment revenues.

The Group's revenues from its major service lines are disclosed in Note 34.

The following is an analysis of the Group's Adjusted EBITDA by operating segment:

Description	*(in Euros)* 2019		2018	
Adjusted EBITDA				
Finance	60,842,357	+33.8%	49,837,683	+33.9%
% of revenues	+22.2%		+20.8%	
Public Administration	35,065,556	+19.5%	25,430,639	+17.3%
% of revenues	+13.1%		+10.9%	
Health	12,600,331	+7.0%	10,792,376	+7.3%
% of revenues	+17.9%		+16.9%	
Industry & Services	23,521,745	+13.1%	17,868,524	+12.1%
% of revenues	+8.4%		+7.1%	
Telco & Media	19,740,558	+11.0%	16,338,323	+11.1%
% of revenues	+12.3%		+9.0%	
Energy & Utilities	28,221,133	+15.7%	26,911,984	+18.3%
% of revenues	+14.3%		+14.7%	
Total adjusted EBITDA	**179,991,680**	**+100.0%**	**147,179,528**	**+100.0%**
% of revenues	+14.4%		+12.7%	

5 Segment information (Continued)

Adjusted EBITDA Reconciliation	31.12.2019	31.12.2018
	(in millions of Euros)	
Adjusted EBITDA	**180.0**	**147.0**
Stock Option costs	(10.0)	(9.9)
Retirement incentives	(3.2)	0.0
Costs associated with the relocation of headquarters office	(1.6)	0.0
Corporate strategic assessment expenses	(1.2)	0.0
Tax assessment costs	(2.9)	0.0
Depreciation of PP&E	(8.0)	(8.0)
Depreciation of right of use	(20.0)	N/A
Amortisation	(32.0)	(35.5)
Provision	(40.0)	(15.8)
Financial income	8.4	15.6
Income from investments	3.2	0.0
Financial expenses (excluding interest on lease liabilities)	(9.4)	(11.9)
Interest on lease liabilities	(1.5)	N/A
Profit before taxes	**62.0**	**82.0**

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the intangible assets and goodwill attributable to each segment.

The following is an analysis of the Group's intangible assets and goodwill by operating segment:

(in Euros)

Description	2019					2018				
	Customer list	Corporate intangible assets	Total intangible assets	Goodwill	Total	Customer list	Corporate intangible assets	Total intangible assets	Goodwill	Total
Finance	34,555,332	0	34,555,332	46,889,553	81,444,885	49,498,462	0	49,498,462	16,755,508	66,253,970
Public Administration	2,003,263	0	2,003,263	17,193,490	19,196,753	2,791,169	0	2,791,169	13,050,598	15,841,767
Health	0	0	0	6,739,383	6,739,383	0	0	0	6,739,383	6,739,383
Industry & Services	21,671,142	0	21,671,142	15,131,000	36,802,142	22,097,288	0	22,097,288	8,918,782	31,016,071
Telco & Media	0	0	0	10,384,415	10,384,415	601,537	0	601,537	10,384,415	10,985,952
Energy & Utilities	0	0	0	11,516,629	11,516,629	0	0	0	11,516,629	11,516,629
Total segment assets	**58,229,737**	**0**	**58,229,737**	**107,854,469**	**166,084,206**	**74,988,456**	**0**	**74,988,456**	**67,365,314**	**142,353,771**
Unallocated assets	**0**	**475,270,867**	**475,270,867**	**0**	**475,270,867**	**0**	**470,312,352**	**470,312,352**	**0**	**470,312,352**
Consolidated total assets	**58,229,737**	**475,270,867**	**533,500,604**	**107,854,469**	**641,355,073**	**74,988,456**	**470,312,352**	**545,300,808**	**67,365,314**	**612,666,122**

Consolidated statement of financial position

A) Non-current assets

6 Property, plant and equipment

Description	31.12.2019	31.12.2018	Change
	(in Euros)		
Property, plant and equipment	29,792,652	37,467,016	(7,674,364)

Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
	(in Euros)					
Historical cost as of 31.12.2018	19,255,889	6,517,937	27,814,809	5,534,919	1,172,674	60,296,274
Accum. deprec. as of 31.12.2018	1,416,900	2,542,929	16,065,084	2,056,777	747,567	22,829,258
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,749,725**	**3,478,142**	**425,107**	**37,467,016**
Historical cost as of 31.12.2019	9,003,069	6,827,563	29,353,782	7,151,908	848,195	53,184,563
Accum. deprec. as of 31.12.2019	993,535	3,164,562	16,654,832	2,394,794	184,188	23,391,911
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**

The changes in property, plant and equipment in the year were as follows:

Description	Land and buildings	Plant and machinery	Ind. and comm. equipment	Other assets	Leasehold improv.	Total
	(in Euros)					
Balance as of 01.01.2018	**18,376,338**	**4,373,981**	**12,137,447**	**2,848,359**	**568,144**	**38,304,315**
Exchange difference effect	(493,515)	(10,252)	(24,641)	(11,476)	(18,660)	(558,544)
Increase	582,724	620,638	4,969,777	1,498,409	146,376	7,817,923
Disposal	195,882	(19,219)	(172,990)	13,161	(99,143)	(82,308)
Depreciation	(626,558)	(1,000,334)	(5,164,046)	(957,628)	(171,610)	(7,920,177)
Business combination	(195,882)	10,194	11,702	79,793	0	(94,193)
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,757,249**	**3,470,618**	**425,107**	**37,467,016**
Exchange difference effect	(190,517)	(1,921)	(7,512)	(1,245)	(9,900)	(211,095)
Increase	144,077	711,948	6,310,900	2,604,383	447,047	10,218,355
Reclass	(9,155,000)	0	0	0	0	(9,155,000)
Disposal	(292,257)	(5,226)	(45,425)	(338,789)	(16,696)	(698,394)
Depreciation	(335,758)	(1,112,298)	(5,318,447)	(1,092,221)	(181,551)	(8,040,276)
Business combination	0	95,491	2,186	114,369	0	212,046
Balance as of 31.12.2019	**8,009,534**	**3,663,001**	**12,698,951**	**4,757,114**	**664,006**	**29,792,652**

All property, plant and equipment are operational and effectively utilised in company operations and there are no obsolete assets requiring replacement in the short-term, which were not depreciated.

- "Land and buildings" increased by Euro 144 thousand as a result of the redevelopment of the property in Ferentino.

  The reclass of Euro 9,155 thousand, gross of accumulated depreciation, primarily refers to the reclassification in financial leases (formerly IAS 17) to "Rights of use and leased assets" in accordance with IFRS 16.

- "Plant and machinery" increased by Euro 712 thousand due to the installation of new air conditioning, telecommunications and security systems in a number of Company offices.

6 Property, plant and equipment (Continued)

- The addition in "Industrial and commercial equipment", equal to Euro 6,311 thousand, relates to the purchase of computers for internal use while the decreases, equal to Euro 45 thousand (net of the related depreciation fund), are due to the disposal and/or donation of obsolete computers.

The addition in "Other assets" refers to the purchase of furniture and fittings.

7 Intangible assets

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Intangible assets	533,500,604	545,300,808	(11,800,204)

	(in Euros)					
Description	**Development costs**	**Ind. patents ind. op. prop.**	**Conc., licences and trademarks**	**Assets in progress**	**Customer relation value**	**Total**
Historical cost as of 31.12.2018	7,882,026	39,865,674	453,061,619	4,347,694	138,799,793	643,956,805
Accum. amortis. as of 31.12.2018	2,546,745	32,280,867	17,448	0	63,810,936	98,655,997
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**
Historical cost as of 31.12.2019	10,537,560	23,000,004	453,087,872	7,303,758	138,353,731	632,282,925
Accum. amortis. as of 31.12.2019	4,764,392	13,861,054	32,880	0	80,123,994	98,782,321
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**

The changes in intangible assets are detailed as follows:

	(in Euros)					
Description	**Development costs**	**Ind. patents ind. op. prop.**	**Conc., licences and trademarks**	**Assets in progress**	**Customer relation value**	**Total**
Balance as of 01.01.2018	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**100,582,122**	**569,268,687**
Business combination	(3,769)	8,885	0	0	0	5,116
Exchange difference effect	(318)	(189,308)	14	0	(278,146)	(467,759)
Increase	5,391,584	4,889,034	913	3,432,172	6,587,969	20,301,672
Disposal	0	(132,897)	0	(5,373,358)	(2,756,707)	(8,262,962)
Amortisation	(1,388,853)	(5,001,181)	(7,531)	0	(29,146,381)	(35,543,946)
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**
Business combination	264,830	3,234,825	4,272	0	8,350,715	11,854,641
Exchange difference effect	(3,307)	(11,159)	7	0	(401,124)	(415,582)
Increase	153,604	4,287,408	16,670	5,115,899	0	9,573,581
Reclass	2,159,835	0	0	(2,159,835)	0	0
Disposal	108,138	(525,336)	2,090	0	0	(415,108)
Amortisation	(2,245,213)	(5,431,594)	(12,219)	0	(24,708,710)	(32,397,735)
Balance as of 31.12.2019	**5,773,168**	**9,138,950**	**453,054,991**	**7,303,758**	**58,229,737**	**533,500,604**

Intangible assets reported a total addition of Euro 9.6 million, mainly due to:

- the increase of "Development costs" and the reclass from "Asset in progress" in the item "Development costs" amount to Euro 2.3 million mainly refers to the following:
  - for Euro 2 million to the product known as "Net@2A", of the Energy & Utilities area relating to the management of the Integrated Water Service and the Environmental Hygiene service in view of a Cloud Service, created internally, in use since 1 January 2019, and whose amortisation period is 5 years;

7 Intangible assets (Continued)

- "Industrial patents and intellectual property" increased by Euro 4.3 million, including Euro 1.4 million for the purchase of software programs and Euro 2.7 million for the purchase of licenses for internal use;
- "Assets in progress" increased by Euro 5.1 million due to internal investments in new solutions:
  - in the Health area, the development of the product known as "Cartella clinica elettronica" (Electronic Medical Record) and the "Percorso Diagnostico Terapeutico Assistenziale" (Diagnostic Therapeutic Care Diagnostic Path) product continued. The total value is Euro 1.3 million of which Euro 0.7 million incurred in 2019. Amortisation will be initiated in 2020 for 5 years;
  - in the Finance area, the product known as "Soluzione collocamento prodotti" (Product placement solution) is being developed. The project has a total cost of Euro 2 million over two years. Completion is expected in 2020. The costs incurred in 2019 amounted to Euro 1,7 million;
  - in the Utilities area, the NET@4SETTLEMENT module was created for an investment of Euro 0.9 million, amortisation will initiate in 2020 for 5 years, in addition to a module known as "Upstram" which will end in 2020, costs incurred in the year amount to approximately Euro 0.1 million;
  - to the capitalisation of development costs for the "Jente" project and the "Data Retention System" for Euro 0.7 million.

The item "Concessions, licences and trademarks" includes the Trademark, amounting to Euro 453 million, referring to the Engineering brand. This value was recognized in 2017 upon completion of allocation of the purchase price for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A. and subsequent reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A..

	(in Euros)			
Description	**As of 31.12.2018**	**Change in consolidation scope**	**Write-downs**	**As of 31.12.2019**
Gross value—trademark	453,039,362	0	0	453,039,362
Acc. impairment losses	—	—	—	—
Net value—trademark	**453,039,362**	**0**	**0**	**453,039,362**

In the financial statements of previous years, the brand value recorded under intangible fixed assets was determined through an estimate of the fair value of the assets, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control. The method used to estimate the value of the trademark was chosen by taking account of the purposes of the transaction and the features of the trademark. In particular, in line with the literature and the best professional practice, the value of the trademark owned by Engineering was determined by using the income-based method, based on the discounting of future benefits attributable to the asset subject to value appraisal.

The trademark is a right, which is legally protected through the registration at the competent Authorities. By reason of the fact that this right has no legal, contract, competitive or economic term which limits its useful life, the same is classified as an indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36. The impairment test carried out as of 31 December 2019 had confirmed that there was no need to write down the value of the trademark with an indefinite useful life expressed in the consolidated financial statements.

The "Other assets" item mainly consists of the "Contract Portfolio" and the "Customer Relation Value" recorded as a result of the business combination carried out by Engineering in previous years. During the period, "Other fixed assets" recorded an overall increase of Euro 8.3 million, mainly due to the identification and

7 Intangible assets (Continued)

measurement of the fair values, in accordance with the IFRS 3 standard, of the assets and liabilities of the following companies:

- the allocation process, at the acquisition date of control, of the purchase price for the acquisition of control of Cybertech S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Cybertech S.r.l. resulted in the identification of the "Contract Portfolio" and "Customer Relationship Value", as per income assessment discounted (WACC 9.4%) by the prospective residual margins resulting from such orders. The amount determined at the acquisition date is Euro 1,038 thousand and Euro 4,930 thousand, respectively. The residual period of amortisation is 5 years.

8 Rights of use

(in Euros)

Description	31.12.2019	31.12.2018	Change
Right of use and leased assets	173,372,063	0	173,372,063

(in Euros)

Description	Land and building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
Historical cost as of 31.12.2019	173,528,494	273,674	8,894,658	14,115,977	97,330	196,910,133
Accum. amort. as of 31.12.2019	(15,886,117)	(104,703)	(3,234,962)	(4,279,471)	(32,817)	(23,538,071)
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**

(in Euros)

Description	Land and building IFRS 16	Plant and machinery IFRS 16	Industrial and commercial equipment IFRS 16	Other assets IFRS 16	Patent rights IFRS 16	Total
Beginning balance of lease assets	154,592,144	277,799	7,385,524	9,604,347	23,636	171,883,451
Exchange difference effect	(28,705)	(2)	11,650	(8,662)	0	(25,719)
Increase	25,363,152	72,505	2,192,866	5,390,725	97,330	33,116,578
Decrease	(9,219,317)	(76,628)	(683,732)	(890,956)	(23,636)	(10,894,269)
Decrease/(increase) acc. amortization/depreciation	1,091,434	73,468	413,744	598,330	23,636	2,200,613
Amortization and depreciation	(16,162,086)	(178,172)	(3,660,357)	(4,871,411)	(56,454)	(24,928,479)
Change in consolidation scope	2,005,755	0	0	14,133	0	2,019,888
Balance as of 31.12.2019	**157,642,377**	**168,971**	**5,659,695**	**9,836,506**	**64,513**	**173,372,063**

The Group has several assets including buildings, cars and IT equipment identified as leases. The average life is 6, 3 and 2 years respectively.

The lease contracts do not have any further significant extension option respect to lease term considered to determine the lease liability. Lease contracts do not have any significant variable lease payments, any restrictions nor covenants and no sale and leaseback transactions were occurred during the period.

The item "Beginning balance of lease assets" provides the data concerning lease contracts entered into before 1 January 2019, which was subject to evaluation for the First Time Adoption of IFRS 16, it also includes the reclassification of Euro 9,155 in financial lease (formerly IAS 17) relating to properties in Turin, already recorded in the previous year under "Land and buildings", as explained in Note 6.

The "Other IFRS 16 assets" refer entirely to cars under operating lease, assigned to employees and its amortisation has been reclassified under personnel costs.

Note 4.29 of these financial statements summarises the impacts deriving from the adoption of IFRS 16 at the transition date.

8 Rights of use (Continued)

The following table highlights the impact of IFRS 16 on profit and loss.

Description	*(in Euros)* 31.12.2019
Depreciation of right of use	24,853,924
Interest expenses on leasing	1,637,691
Expenses of short term agreements	1,720,460
Expenses of lease agreements with a value < 5 thousand	280,156
Impact on P&L	28,492,231

9 Goodwill

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Goodwill	107,854,469	67,365,314	40,489,155

Changes in goodwill, compared to the previous year, divided by Cash Generating Units, is as follows.

	(in Euros)			
Description	**31.12.2018**	**Change in consolidation scope**	**Exch. rate difference**	**31.12.2019**
Goodwill—Finance	16,344,694			16,344,694
Goodwill—Energy & Utilities	9,662,147			9,662,147
Goodwill—Telco & Media	6,819,242			6,819,242
Goodwill—PAL and Taxes	12,450,598			12,450,598
Goodwill—Health	6,739,383			6,739,383
Goodwill—Municipia mobilità	0	4,142,891		4,142,891
Goodwill—Cybertech	0	2,923,548		2,923,548
Goodwill—Deus Technology	0	30,134,045		30,134,045
Goodwill—Digitelematica	0	3,299,428		3,299,428
Goodwill—Other	15,349,250		(10,758)	15,338,492
Total	**67,365,314**	**40,499,912**	**(10,758)**	**107,854,469**

The value of goodwill as of 31 December 2019 recorded in the Engineering Group's consolidated statement of financial position amounts to Euro 107,854,469.

The analysis was performed to determine the goodwill recoverable value, which was allocated to Cash Generating Units (CGUs) to which it is related.

CGU is defined as an asset or small group of assets that generate incoming cash flows that are widely independent from the incoming cash flows resulting from other assets or group of assets. The CGUs were determined based on the market segments and the single operating investees, consistently with the corporate management view in terms of monitoring of results and economic planning.

The impairment test carried out as of 31 December 2019 on the goodwill allocated to the Cash Generating Units (CGUs) to which it relates confirmed that there is no need to write-downs the value disclosed in the financial statements.

Based on the impairment test carried out according to the requirements of IAS 36 and IFRS 3 and to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows.

There is no evidence at the present date for the Company to proceed with any impairment.

9 Goodwill (Continued)

For the identification of the recoverable value – the "value in use" of the CGUs – obtained through discounting, of the cash flows (DCF Model) extrapolated from the business plans drawn up by the management of the divisions, the following elements were considered:

a) estimates of future cash flows generated by the entity;

b) expected possible changes in these cash flows in terms of the amount and time periods;

c) cost of money, comprising the current market risk-free rate of interest;

d) cost to assume the risk related to implicit uncertainty in the management of the CGU;

e) other risk factors concerning the operations of a specific market and changes over time.

Hereunder are the main basic assumptions, used for impairment testing for every CGUs:

Description	Growth rate Terminal Value	WACC* post-tax 2019
Finance	0.50%	6.10%
Energy & Utilities	0.50%	6.09%
Telco & Media	0.50%	6.09%
PAL and Taxes	0.50%	6.04%
Health	0.50%	6.06%
Cybertech S.r.l.	0.50%	3.28%
Deus Technology S.r.l.	0.50%	2.23%
Other:		
OverIT S.p.A.	0.50%	5.11%
Nexen S.p.A.	0.50%	7.08%
Engineering Excellence Center S.r.l.	0.50%	5.07%
ITS Engineering AG	0.50%	4.53%
Sogeit Solutions S.r.l.	0.50%	7.11%
Engineering USA Inc.	0.50%	7.34%
Dynpro Systemas S.A.	0.50%	8.95%

* *Weighted Average Cost of Capital.*

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above were as follows:

- Risk free rate equal to the average rate of 2019 equal to approx. 2%;
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities; the benchmark rate used for the measurement is that for 2019, equal to approx. 5%;
- Debt cost, equal to the average indebtedness cost (long and short term) of the Group equal to 1%;
- Beta unlevered equal to 1;
- LTG (Long Term Growth) equal to 0.5%.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed with an increase of 1% on discount rate. This analysis highlighted no impairment losses. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

9 Goodwill (Continued)

The following table also shows the breakdown WACC by CGU/Company. Rounding down the WACC values in the table by about 0.01%, the value in use is equal to the book value.

CGU	2019 Breakdown WACC
Finance	28.03%
Energy & Utilities	18.44%
Telco & Media	11.24%
PAL and Taxes	17.47%
Health	17.60%
OverIT S.p.A.	8.86%
Nexen S.p.A.	19.67%
XC	12.87%
ITS Engineering AG	11.53%
Sogeit Solutions S.r.l.	27.19%
Engineering USA Inc.	54.41%
Deus Technology S.r.l.	12.95%
Cybertech S.r.l.	45.07%

10 Equity investments

Investment in associated companies measured at equity

The book value and portions of shareholders' equity related to investments in associated companies are shown hereunder. The data is taken from statutory financial statements approved by the Boards of the related companies.

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Equity investments	54,818	150,975	(96,157)

Changes in investments:

	(in Euros)						
Equity investments	**Value as of 31.12.2018**	**Initial change from merger**	**Change in consolidation scope**	**Increase**	**Decrease**	**Write-downs**	**Value as of 31.12.2019**
Associated companies	150,975		—	41,093	(125,000)	(12,250)	54,818
Total	**150,975**		**0**	**41,093**	**(125,000)**	(12,250)	**54,818**

Associated companies

Investments in associated companies is as follows:

	(in Euros)								
	City	**Assets**	**Liabilities**	**Share Capital**	**Shareholders' Equity**	**Revenues**	**Net profit/ (loss)**	**Value as of 31.12.2018**	**%**
SI Lab—Calabria S.c.a.r.l.	Rende	38,379	25,557	30,000	19,822	13,652	(7,135)	7,200	+24
SI Lab—Sicilia S.c.a.r.l.	Palermo	35,845	2,410	30,000	33,435	15,944	1,150	3,525	+24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	+25
Engineering DSS GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Unimatica S.p.A.	Bologna	4,282,043	3,280,773	500,000	1,001,270	5,158,769	74,166	125,000	+25
Total								**150,975**	

10 Equity investments (Continued)

	(in Euros)								
	City	Assets	Liabilities	Share Capital	Shareholders' Equity	Revenues	Net profit/ (loss)	Value as of 31.12.2019	%
SI Lab—Calabria S.c.a.r.l.	Rende	16,795	11,349	30,000	5,446	1	(7,375)	8,293	+24
SI Lab—Sicilia S.c.a.r.l.	Palermo	37,737	2,316	30,000	35,421	14,751	1,985	3,525	+24
Consorzio Sanimed Group	Terni	n/a	n/a	n/a	n/a	n/a	n/a	3,000	+25
DST IT Services GmbH	Stuttgart	1,494,703	10,478,582	25,000	(9,967,470)	3,604,749	(1,518,221)	0	+49
Terram S.r.l.	Verona	n/a	n/a	n/a	n/a	n/a	n/a	40,000	+40
Total								**54,818**	

The data of the associated companies did not record movements during the year.

Terram S.r.l. is a newly incorporated company, therefore accounting data are not available.

11 Deferred tax assets

Deferred tax assets were recognised among assets both in the current period and in the previous period in so far, as their realisation as tax income is considered probable in the year in which these deferred tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Deferred tax assets	24,859,040	23,186,256	1,672,785

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates and recorded in the entries shown in the table hereunder:

	(in Euros)			
	31.12.2019		**31.12.2018**	
Description	**Amount of temporary differences**	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Property, plant and equipment and intangibles assets—IAS amortisation	2,650,894	472,636	3,075,787	571,971
Goodwill	309,384	86,318	433,717	120,249
Other current liabilites—Directors' fees	1,133,680	272,213	998,460	239,630
Bad debt reserve	41,162,456	9,974,706	26,644,264	6,491,885
Provisions for risks	11,917,229	3,820,157	12,581,592	3,726,019
Current provision for risk and charges—leaving incentives	9,863,995	2,367,359	17,966,563	4,557,980
Financial leases	44,419	12,393	44,419	12,393
Tax losses	4,430,161	475,268	3,656,803	1,023,112
Adjustments for IFRS FTA	3,422,217	949,222	3,245,204	905,412
Post employment benefits—adjustments for IAS 19	20,014,736	4,803,537	15,056,437	3,613,545
Deferred contract costs—adjustments for IFRS 15	2,370,179	661,280	3,472,869	958,293
Other	2,977,648	963,951	2,922,934	965,767
Total	**100,296,999**	**24,859,040**	**90,099,049**	**23,186,256**

The "Other" item relates essentially to the tax impact on provisions for invoices to be issued and to be received relating to the subsidiary company Engineering do Brasil S.A., which will produce effects at statutory financial statement level on their relative payment according to tax regulations in force in Brazil.

11 Deferred tax assets (Continued)

In the absence of a tax consolidation contract between the Engineering Group's companies, considering the trend of tax losses realized in previous years and the uncertainty related to the existence future taxable profits against which unused tax losses can be utilised, the Directors did not recognize deferred taxes assets in relation to the carry-forward unused tax losses of subsidiary Engineering D.HUB S.p.A..

The decrease in deferred tax assets is mainly due to the release of the provision for charges relating to the non-competition agreement.

The following tables provide details of tax assets.

	(in Euros)				
Description	**Doubtful debt provision**	**Tax credit Mic Bidco S.p.A.**	**Adjustments for IFRS**	**Other temporary differences**	**Total**
Balance as of 01.01.2018	**9,131,062**	**6,277,912**	**4,105,323**	**12,737,372**	**32,251,669**
Change from merger			129,569		129,569
Impact on the income statement	(2,639,177)	(6,277,912)	1,371,927	(2,118,371)	(9,663,533)
Impact on the comprehensive income statement			468,951		468,951
Balance as of 31.12.2018	**6,491,885**		**6,075,370**	**10,619,001**	**23,186,256**
Change from merger				848	848
Impact on the income statement	3,482,822	0	(2,366,246)	(539,052)	577,524
Impact on the comprehensive income statement			1,094,413		1,094,413
Balance as of 31.12.2019	**9,974,706**		**4,803,537**	**10,080,797**	**24,859,040**

12 Other non-current assets and other current assets

Other non-current assets

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Other non-current assets	5,837,675	5,560,690	276,985

As better described later on, the item, reporting a positive change for the period of Euro 276,985, includes investments in other companies where the Group has neither control or significant influence, non-current financial assets and residual assets, as follows:

	(in Euros)		
Description	**31.12.2019**	**31.12.2018**	**Change**
Investments in other companies	3,240,170	2,960,207	279,963
Other non-current assets	2,597,505	2,600,483	(2,978)
Total	**5,837,675**	**5,560,690**	**276,985**

12 Other non-current assets and other current assets (Continued)

a) Investments in other companies

Changes in the investments in other non-controlled companies

The changes in investments in other non-controlling companies are broken down as follows:

	Value as of 31.12.2018	Increase	Decrease	Change in consolidation scope	Value as of 31.12.2019
			(in Euros)		
Banca Popolare di Credito e Servizi	7,747				7,747
Banca Credito Cooperativo Roma	1,033				1,033
Global Riviera	1,314				1,314
Tecnoalimenti S.c.p.a.	65,832				65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	237,404				237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683				34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000				6,000
Consorzio Cefriel	191,595				191,595
Consorzio Abi Lab	1,000				1,000
Equity investment in Ce.R.T.A.	360				360
Consorzio Arechi Ricerca	5,000				5,000
Investments in other companies	9,000	0	(14,100)	5,100	0
EHealthnet S.c.a.r.l.	10,800				10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000				20,000
Caf Italia 2000 S.r.l.	260				260
M2Q S.c.a.r.l.	3,000				3,000
SedApta S.r.l.	750,000				750,000
Consel S.r.l.	382,486				382,486
Istella S.r.l.	750,000	250,000			1,000,000
Equity investment in Novito Acque S.r.l.	100,000				100,000
Ekovision	300,000				300,000
Palantir Digital Media S.r.l.	500				500
Seta S.r.l.	82,192				82,192
Ditecfer S.c.a.r.l.		3,000			3,000
SIIT S.C.P.A		30,963			30,963
Consorzio Veso		5,000			5,000
Total	**2,960,207**	**288,963**	**(14,100)**	**5,100**	**3,240,170**

b) Other Non-current assets

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Tax receivables and taxes paid abroad	1,599,654	1,820,819	(221,165)
Security deposits	987,851	769,664	218,187
Others	10,000	10,000	0
Total	**2,597,505**	**2,600,483**	**(2,978)**

Other non-current assets relate to:

- receivables for taxes paid abroad refer to taxes paid abroad in relation to assets invoiced and fiscally recoverable;
- security deposits are on rented real estate properties and sundry utilities;
- the item “Others” includes loans to other companies and receivables from the Inland Revenue office.

12 Other non-current assets and other current assets (Continued)

Other current assets

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other current assets	52,037,321	60,314,237	(8,276,916)

Other current assets are broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other assets and tax receivables	13,236,421	16,828,709	(3,592,288)
Others	38,800,900	43,485,528	(4,684,628)
Total	**52,037,321**	**60,314,237**	**(8,276,916)**

a) Other assets and tax receivables

Other assets and tax receivables are broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Tax receivables	11,421,510	13,894,361	(2,472,851)
Social security institutions	1,689,838	2,783,304	(1,093,466)
Other	125,074	151,044	(25,971)
Total	**13,236,421**	**16,828,709**	**(3,592,288)**

The tax receivables substantially relate to:

- Euro 6.3 million for IRES and IRAP receivables. The amount is the difference between advanced payments and withholdings applied, and tax provisions calculated as of 31 December 2019;
- Euro 0.5 million relating to receivables for taxes paid abroad;
- Euro 3.8 million relating to receivables from the Inland Revenue Office for recoverable VAT;
- Euro 1.3 million in tax refunds receivable.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2019 and INPS receivables to be recovered over subsequent years.

b) Others

"Others" item includes:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Applied research grants	33,580,767	33,919,906	(339,139)
Prepaid expenses	1,298,063	1,343,222	(45,159)
Others	3,922,070	8,222,400	(4,300,330)
Total	**38,800,900**	**43,485,528**	**(4,684,628)**

Receivables for applied research grants are receivables yet to be collected, relating to projects financed by national public authorities and by the European Union, and that show no risks of non-payment.

12 Other non-current assets and other current assets (Continued)

C) Current assets

13 Inventory

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Inventories	90,514	55,440	35,074

Inventories include goods and product usage licences purchased and held for resale.

14 Customer contract assets

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Customer contract assets	200,780,560	167,359,263	33,421,297

Customer contract assets, recorded net of advances, is broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Customer contract assets	167,359,263	150,323,955	17,035,309
Exchange difference	(388,142)	(2,308,856)	1,920,714
Acquisitions	230,243		230,243
Adjustments and changes customer contract assets	1,526,724	2,448,554	(921,829)
Amount of costs incurred increased by profits recorded	570,762,656	497,817,744	72,944,911
Inv. actual progress customer contract assets	(538,710,184)	(480,922,134)	(57,788,050)
Total	**200,780,560**	**167,359,263**	**33,421,297**

Customer contract assets concern projects in the course of completion based on long-term contracts. They include, but are not limited to, adjustments for projects for which critical issues emerged as regards possible realisable value. The related amount is the best estimate made based on the information available to us. At 31 December 2019, there are not any indicator of expected credit loss for this caption.

The variation of period refers mainly to the increase of volumes shown on revenues and due to the acquisition of period. During this period, there were not any changes on contractual conditions.

15 Deferred contract costs

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Deferred contract costs	22,172,850	23,333,398	(1,160,548)

The Group recognised deferred contract costs in relation to obtaining the contract represented by the so-called transition and start-up costs for Euro 8,013 thousand. These are costs directly associated with the performance of the service offered and, in particular, refer to the costs incurred for the taking over of orders (transition cost) or costs for specific training of personnel preparatory to the execution of a particular order (start-up cost). These costs are realised in the normal operating cycle.

The Group has also recorded contract costs in relation to the fulfilment of the contract for Euro 14,159 thousand. These are direct costs charged to orders, which include the purchase of materials from third parties, outside labour and the cost of employees.

The portions of cost released pertaining to 2019, determined on the basis of the ratio between the revenues accrued for the activities carried out at the reporting date and the total estimated revenues until the end of the contracts, amount to Euro 498 thousand for the so-called transition costs and start-up costs and Euro 16,348 thousand for the costs for the fulfilment of the contract.

16 Trade receivables

The book value of trade receivables and other receivables is shown at amortised cost and the value approximates the fair value. The value refers to receivables from banking institutes, utilities, industry, services, Public Administration and companies operating in the telecommunications market.

The type of Group operations justifies the high amounts of receivables such as the proportion due from Public Administration, contractual durations, the nature of the entity and the events such as the testing of projects. Trade receivables are all due within twelve months.

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Trade receivables	590,500,354	568,087,727	22,412,627

The breakdown is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Customers	574,773,098	556,694,403	18,078,695
Others	15,727,256	11,393,324	4,333,932
Total	**590,500,354**	**568,087,727**	**22,412,627**

The Group applies the simplified approach of IFRS 9 to measure the expected credit loss on all trade receivables and customer contract assets.

In order to determine the expected credit loss, trade receivables were initially grouped by counterparty (third parties and Public Administration) and subsequently, for receivables from third parties only, by days past due. Customer contract assets refer to invoices to be issued for contracts in progress, and have substantially the same risk characteristics as trade receivables for the same type of contracts.

The Group has therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of the losses on customer contract assets. The expected credit loss rates are based on the collection times over a period of 545 days prior to 1 January 2018, and the corresponding losses on historical receivables during that period. Historical loss rates are adjusted to reflect current and future macroeconomic conditions affecting customers' ability to repay loans. The Company has identified the average default rate of Italian companies for the two-year period 2018-2019 as a relevant factor for receivables from third parties, while it has identified the country risk of Italy as the main factor for receivables from the Public Administration. These factors were used to adjust the historical loss rates recorded.

On this basis, the doubtful debt provision to be subject to collective impairment as of 1 January 2018, was determined as follows. It should be noted that, on the basis of the model described above, there are no significant impacts such as to have to adjust the doubtful debt provision as of 31 December 2019, with reference to the expected credit loss.

		Overdue					
Description	Not overdue	0-30 days	30-60 days	60-90 days	90-120 days	over 120 days	31.12.2018
				(in Euros)			
Trade receivables	252,999,282	57,440,346	24,578,503	7,254,452	4,226,609	122,575,150	469,074,342
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision	**50,600**	**11,488**	**19,663**	**5,804**	**7,608**	**490,301**	**585,463**

16 Trade receivables (Continued)

Description	Not overdue	Overdue 0-30 days	30-60 days	60-90 days	90-120 days	over 120 days	31.12.2019
				(in Euros)			
Trade receivables	299,428,232	56,376,078	17,841,994	6,797,655	5,966,719	101,025,130	487,435,809
Expected credit loss rate	0.02%	0.02%	0.08%	0.08%	0.18%	0.40%	
Doubtful debt provision	**59,886**	**11,275**	**14,274**	**5,438**	**10,740**	**404,101**	**505,713**

a) Customers

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Receivables on invoices issued	487,435,809	469,074,342	18,361,467
of which overdue	188,007,577	216,075,060	(28,067,483)
Invoices to be issued	178,577,326	169,880,983	8,696,343
Credit notes to be issued	(675,079)	(374,939)	(300,140)
Doubtful debt provision	(54,407,508)	(39,322,655)	(15,084,853)
Provision for interest in arrears	(36,157,450)	(42,563,328)	6,405,878
Total	**574,773,098**	**556,694,403**	**18,078,695**

The “Receivables from customers” item is equal to Euro 574,773,098, net of a doubtful debt provision amounting to Euro 54,407,508, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 36,157,450) to cover any possible future losses related to the aforesaid entry.

The closing balance of the doubtful debt provision for trade receivables is reconciled with the opening balance as shown below:

Trade receivables	31.12.2019
	(in Euros)
Doubtful debt provision as of 31.12.2018	(39,322,655)
Provision for the period	(32,687,843)
Write-off of receivables considered non-recoverable	17,602,990
Doubtful debt provision as of 31.12.2019	**(54,407,508)**

It is noted that, as of 31 December 2019, the Group factored trade receivables for the total amount of Euro 155.2 million (Euro 155.8 million as of 31 December 2018). The transfer was non-recourse, so risks and benefits related to receivables were transferred to the transferee; receivables were therefore written off from the assets in the consolidated statement of financial position, according to the consideration received by factoring companies.

Receivables include the exposure as of 31 December 2019, with respect to Sicilia Digitale S.p.A. equal to Euro 107,873,475 (including the related doubtful debt provision amounting to Euro 27,377,522), of which Euro 14,526,757 of customer contract assets, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A.) and Sicilia e-Servizi Venture S.c.r.l. in liquidation on 21 May 2007 and expired on 22 December 2013.

In order to obtain payment of the sums due, in the mutual interest, on 9 October 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an “Agreement” which regulated the repayment of SISEV receivables, indicating the final repayment date on 31 December 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A.

16 Trade receivables (Continued)

and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections arose with respect to the correct performance of services rendered.

Given the non payments of Sicilia Digitale S.p.A., on 26 June 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,052 thousand (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Therefore, to safeguard its rights, on 18 July 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia Digitale S.p.A., up to the entire amounts receivable accrued by the company. On 10 November 2014, the Court of Palermo rejected SISEV's request while underlying that "given that, besides Sicilia e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.r.l. - ... Omitted ... there is no urgency (periculum in mora) ...". In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the first order decree, deposited on 3 September 2013, obtained in the amount of approximately Euro 30,052 thousand, the Judge ordered Office Technical Experts, to evaluate, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On 17 December 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,068 thousand was assessed in favour of Venture; therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346 thousand). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets involved in the payment claim were divided according to the existence or non-existence of approvals by the management of Sicilia Digitale S.p.A. and/or the Region). After filing the supplementary expertise report, following the clarification of the conclusions of the parties involved, with a sentence dated 30 August 2018, the Judge ordered, among other things, Sicilia Digitale S.p.A. to pay SISEV Euro 19,508 thousand, plus interest at the rate indicated in the payment order. The Judge therefore confirmed the evaluations expressed by the experts, in the aforementioned supplementary expertise report, considering that only the services certified by SISEV's managerial figures were "recognised" by SISEV.

By a writ of summons on appeal notified on 18 February 2019, Sicilia Digitale appealed against the aforementioned judgment, asking for its complete reform. SISEV appeared with a cross-appeal response asking for recognition of the amounts not included in the Court's sentence.

At the first hearing on 31 May 2019, SISEV requested, in agreement with Sicilia Digitale, postponement for negotiations, granted until 5 July 2019.

In fact, on 12 June 2019, a specific transaction was agreed between the transferees of the SISEV credit (Engineering and Accenture, as creditor partners for services rendered and not remunerated at that time) and Sicilia Digitale for the recognition to them of a total amount of Euro 19.5 million (of which Euro 13.2 million in favour of Engineering and Euro 6.3 million in favour of Accenture), with waiver of the interest on arrears and which specifies, among other things, a plan for the repayment of the credit transacted gave the last forecast data expected on 1 May 2020. In addition, the transaction provides that the failure to comply with any time scans for the payment so agreed is provided, for the express provision of the agreement, the resolution of it and the possibility for the creditor parties (Engineering and Accenture) to act for the entire.

In the illustrated context, Sicilia Digitale S.p.A. has only partially complied with the credit repayment plan contained in the transaction; in fact, it should be noted that so far the amounts provided for by the same writing have not been paid since November 2019. For this reason, a special notice was sent on 3 February 2020 to fulfillment under penalty of termination of the transaction. However, to date, no further payment has been received, in so that it is being considered to proceed with the dissolution of the settlement agreement and the enforcement of the judgement for the hiegher amount indicated therein.

In addition to what has just been illustrated, on 18 February 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as

16 Trade receivables (Continued)

the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on 9 October 2012 by the Sicilian Region, Sicilia Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated 9 October 2012 was invalid, the service contracts and related orders were null and void and Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of 8 June 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises.

On 30 May 2018, the technical experts appointed by the Court of Palermo sent the parties and their respective technical experts a draft of the expertise. Given the extent of this report, the Judge was first asked to extend the deadline for replies to the expertise; for this reason, the Judge granted the extension as a request and assigned the parties a deadline until 30 September 2018, to communicate their observations to the expertise, assigning the experts a further deadline until 30 October 2018, to file the final report together with the observations of the parties and setting a hearing on 8 November 2018, for the continuation of the case. The aforementioned final report shows (i) a receivable assessed by SISEV for only Euro 4,198 thousand against a claim of Euro 79,675 thousand and (ii) provides the Judge, as a possible alternative assessment criterion, with a second calculation certifying a total receivable of Euro 26,157 thousand from Venture. The case was adjourned to the hearing of 12 December 2019, for examination by the expertise.

Considering the report to be seriously omissive and erroneous, a new request for the renewal of the expertise, pursuant to Article 196 of the Italian Criminal Code, was submitted. It was discussed at the hearing of 30 May 2019, at which the Region and Sicilia Digitale contested the application and asked for its complete rejection. The Judge deferred decision and, as a result, rejected the application for renewal, deducing, as to form, the absence of any breach by the independent expert of the right to be heard and, on the merits, the possibility of detecting any errors in the expert's report in the decision-making process.

At the hearing of 19 December 2019, to which the case was then adjourned, the same was held in judgment. The final briefs are currently being drafted.

Please note that, in addition to the above, no specific critical issues or formal claims related to the correct execution of services and good quality of products delivered by SISEV were highlighted by Sicilia Digitale S.p.A. and/or the Sicilian Region. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV. To date, it is therefore deemed that the defence of the summoned parties are not such to affect the evaluation on the collectability of receivables in favour of SISEV.

The Directors, considering the legitimacy of the credit lines carried out and the correct execution of the services, assessed the appraisal delivered by the Office Technical Experts as part of the summons to obtain payment of an amount of their receivables equal to approximately Euro 79,675 thousand, as seriously omissive and erroneous consider the receivable from Sicilia Digitale S.p.A. to SISEV to be collectable.

In any case, considering the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and the objections filed by Sicilia Digitale S.p.A. and the Sicilian Region, in its consolidated financial statements the Group recognised the interest set out by law pertaining to the period considered (around Euro 5.0 million) in the income statement and under financial income, in addition to the amount already recognised until 31 December 2018 (for a total amount of around Euro 35.3 million), and accrued a bed debt provision for Euro 26.8 million, in addition of the previous accruals, for a total doubtful debt provision of approximately Euro 62.7 million, which includes the total impairment of the statutory interest shown above and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable.

The Directors have explained that this determination is the result of a prognostic judgement formulated on the basis of a careful reflection of all existing available information.

16 Trade receivables (Continued)

Overdue receivables by sector are shown in the following table:

Description	Days falling due					Total as of 31.12.2018
	30	60	90	120	over 120	
			(in Euros)			
Public Administration	12,219,887	5,238,880	4,688,750	553,648	84,115,694	106,816,860
Finance	5,652,414	4,368,519	471,317	1,153,515	8,863,391	20,509,156
Industry & Services	21,991,226	10,186,024	1,374,385	1,846,572	21,793,417	57,191,624
Telco & Utilities	17,576,819	4,785,080	719,999	672,874	7,802,647	31,557,419
Total	**57,440,346**	**24,578,503**	**7,254,452**	**4,226,609**	**122,575,150**	**216,075,060**

Description	Days falling due					Total as of 31.12.2019
	30	60	90	120	over 120	
			(in Euros)			
Public Administration	8,416,982	6,009,524	2,660,371	1,596,853	58,703,400	77,387,130
Finance	10,635,657	1,952,727	1,127,215	861,842	11,559,707	26,137,148
Industry & Services	17,944,305	7,706,385	2,047,807	1,862,845	22,825,511	52,386,854
Telco & Utilities	19,379,134	2,173,357	962,263	1,645,179	7,936,511	32,096,444
Total	**56,376,078**	**17,841,994**	**6,797,655**	**5,966,719**	**101,025,130**	**188,007,577**

Receivables for overdue invoices decreased overall by approximately Euro 28 million compared with the previous year. Essentially due to the Public Administration.

b) Others

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Prepayments	1,563,158	1,935,586	(372,428)
Others	14,164,099	9,457,738	4,706,360
Total	**15,727,256**	**11,393,324**	**4,333,932**

Other receivables principally relate to prepayments for short-term leases, insurance policies, software package, maintenance costs, usage licenses and others.

17 Cash and cash equivalents

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Cash and cash equivalents	191,870,292	177,502,797	14,367,495

The balance includes cash and cash equivalents and bank current accounts.

Cash and cash equivalents consist of the following:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Bank and postal deposits	191,813,969	177,465,956	14,348,013
Cash and cash equivalents	56,323	36,841	19,482
Total	**191,870,292**	**177,502,797**	**14,367,495**

As of 31 December 2019, the item "Cash and cash equivalents" amounts to Euro 191.8 million, up Euro 14.0 million compared to 31 December 2018 and corresponds to cash and cash equivalents relating to current accounts and readily available funds.

17 Cash and cash equivalents (Continued)

For further information, please refer to the cash flow statement.

D) Shareholders' equity

18 Information on shareholders' equity

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Shareholders' equity	610,980,762	615,824,211	(4,843,449)

The changes are shown in the table below:

Shareholders' equity	Value as of 31.12.2019	Value as of 31.12.2018
	(in Euros)	
Share capital	31,875,000	31,875,000
Total share capital	**31,875,000**	**31,875,000**
Legal reserve	6,375,000	6,375,000
Merger reserve	504,437,886	504,437,886
Exchange translation reserve	(4,272,133)	(3,936,332)
Other reserves	(8,313,615)	(9,611,794)
Total reserves	**498,227,139**	**497,264,761**
Prior years' undistributed profits	51,058,947	39,170,026
First-time application of IAS/IFRS	(819,853)	(688,337)
IAS 19 actuarial gains/(losses)	(15,152,356)	(11,718,499)
Retained earnings/(losses carried forward)	**35,086,737**	**26,763,190**
Profit/(loss) for the year	**51,900,485**	**55,211,805**
Total Group shareholders' equity	**617,089,361**	**611,114,756**
Capital and reserves of minority interests	**1,962,707**	**2,228,300**
Profit/(loss) for the year of minority interests	**(8,071,306)**	**2,481,155**
Total shareholders' equity	**610,980,762**	**615,824,211**

19 Share capital

The subscribed and fully paid-up share capital is Euro 31,875,000, divided into 12,156,787 shares each without nominal value.

20 Reserves

In relation to the possible utilisation and distribution of reserves, the following should be noted:

- Legal reserve:

  Euro 6,375,000 is available for the covering of losses but is not distributable.

- Merger reserve:

  the merger reserve totalled Euro 504,437,886 and it is broken down as follows:

  - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve substantially refers to profits gained by the incorporated companies over the years before the merger;
  - Euro 387,661,107 refer to the reverse merger of Mic Bidco S.p.A., which occurred in 2017;

20 Reserves (Continued)

- Euro 334,422 for the merger of the subsidiary Infinity Technology Solutions S.p.A. on 1 January 2018;
- Euro 398,117 for the merger of the subsidiary Infogroup S.p.A. on 1 May 2018.

- Other reserves:

  other Reserves (negative) of Euro 8,313,615 relate to:

  - Special Egov research reserve, of Euro 72,000, is neither available nor distributable;
  - Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable;
  - Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable;
  - Stock Option Reserve, this reserve, amounting to Euro 29,349,420, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on 28 June 2017;
  - Forward contract reserve, amounting to Euro (37,391,655) on shares of subsidiaries (i.e. Non-Controlling Interest) whose counterpart liability is represented in paragraph 20 above.

- Exchange translation reserve:

  at the reporting date, it amounted to Euro (4,272,133) and is neither available nor distributable.

21 Retained earnings

Retained earnings are equal to Euro 35,086,737 and include:

- Prior years' undistributed profits:

  at the reporting date, they amounted to Euro 51,058,947 and are neither available nor distributable. The increase for the year amounts to Euro 55,211,805 and is due to the allocation of the previous year's result, while the decrease of Euro (43,322,884) is essentially due to distribution of dividends.

- First-time application of IAS/IFRS reserve:

  at the reporting date, it amounted to Euro (819,853) and is neither available nor distributable.

- Actuarial gains/(losses) reserve - IAS 19:

  at the reporting date, it amounted to Euro (15,153,356) and is neither available nor distributable.

E) Non-current liabilities

22 Non-current financial liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Non-current financial liabilities	197,485,888	177,939,035	19,546,853

Non-current financial liabilities relate to "Bank loans" and "Other non-current financial liabilities", broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Bank loans	185,536,742	171,045,154	14,491,588
Other non-current financial liabilities	13,855,500	10,317,470	3,538,030
Value of financial debt at amortised cost	(1,906,355)	(3,423,590)	1,517,235
Total	**197,485,888**	**177,939,035**	**19,546,853**

22 Non-current financial liabilities (Continued)

The bank loans as of 31 December 2019 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
			(in Euros)		
Medium/long-term loans	2020	8.96	4,577	1,533,883	
Medium/long-term loans	2021	2.57	6,948	5,307	
Banca Intesa Sanpaolo loan	2020	3.91	8,963		
Banca Carige 60	2022	2.65	40,148	76,423	
Imprebanca 1-602-2251	2021	4.25	66,666	50,000	
Banca IFIS 3060	2021	4.50	67,643	46,844	
BCC Roma 006/728505/35	2022	3.50	82,081	143,378	
Iccrea Banca D'impresa	2023	2.50	79,535	236,506	
Intesa Sanpaolo Fin. 83817	2020	Euribeur 363m+0.85000	8,312,500		
Bei/Serapis N. 84744	2022	Euribeur 363m+1.06000	9,090,909	13,636,363	
Banca IMI—Pool of banks	2021	0.9000000	24,700,000	59,150,000	
MIUR Pr. 248064 Safe&Smart	2024	0.2500000	46,451	328,428	
Banco BPM	2020	—	150,000		
Banco BPM	2023	1.2500000	13,644,444	40,933,333	
Banco BPM	2024	0.8770000	500,000	9,250,000	
Bei/Serapis N. 88682	2026	1.3390000		40,000,000	13,333,333
Bei/Serapis N. 88682	2026	1.3060000		20,000,000	6,666,666
MISE/Mcc Summit	2028	0.1700000	9,685	146,272	68,492
Total			**56,810,556**	**185,536,742**	**20,068,492**

The Group's main long-term financial payables include Parent Company commitments for mortgages with maturity over 12 months, mainly attributable to the Parent Company and equal to Euro 183,444,398.

Some information and characteristics of the main loans are shown hereunder:

- to support research and development activities the European Investment Bank (EIB) granted one direct credit line of Euro 50 million, disbursed on 8 January 2016;
- the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on 30 December 2015 and the second of 38.5 million on 30 June 2016. The first tranche of Euro 31.5 million was used to repay a previous loan, originally Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A.. The loan will expire in March 2020;
- following the reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., on 26 May 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a pool of banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million granted by the same pool of banks, again through Banca IMI S.p.A., to Mic Bidco S.p.A., which had used it to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. against the OPA launched in May 2016;
- on 27 December 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A.;
- on 2 July 2019, Banco BPM granted a loan of Euro 10 million for a 5.5 year period to support the financial restructuring of Cybertech S.r.l.;
- on 6 June 2019, a new loan contract for Euro 60 million was signed, granted directly by the European Investment Bank (EIB) in support of research and technological development activities. On 16 July 2019, the first tranche of Euro 40 million was disbursed at a fixed rate of 1.339%, while on 20 September 2019, the second and last tranche of Euro 20 million was disbursed at a fixed rate of 1.306%.

22 Non-current financial liabilities (Continued)

Covenants

All financial loans, except for the Euro 60 million loan granted by the EIB, are at variable rate.

The following loans envisage the respect of some covenants:

- loan granted by the European Investment Bank (EIB);
- loan granted by Banca Intesa Sanpaolo S.p.A.;
- loan granted by Banca IMI S.p.A./Pool of Banks;
- loan granted by Banco BPM.

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report. All parameters envisaged in the contracts have been fulfilled.

As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered into on 1 July 2014, with Unicredit S.p.A., to hedge the loan supplied by the same bank on behalf of the European Investment Bank (EIB) and redeemed on 30 December 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption. This hedging will expire in March 2020 at the same time as the last repayment instalment of the Banca Intesa loan.

As regards the loan granted by Banca IMI S.p.A./Pool of Banks on 23 July 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate set at 0.15% expired on 21 October 2019 and was never activated.

The last two loans highlighted in the statement and granted by MIUR and MISE are at a subsidised fixed rate and are always linked to the implementation of research and technological development projects. The Safe & Smart project was launched on 25 January 2019, and the Summit was launched on 23 October 2019.

The "Other non-current financial liabilities" item is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Derivative (cash flow hedge)	8,413	67,643	(59,230)
Security deposits	726,133	747,185	(21,052)
Amounts due for finance lease	470,954	5,887,784	(5,416,831)
Contingent consideration for business combinations	12,650,000	3,614,858	9,035,142
Total	**13,855,500**	**10,317,470**	**3,538,030**

The "Other current liabilities" item mainly includes:

- the fair value of the derivative entered on 1 July 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under the item financial charges after the redemption of the Unicredit S.p.A.'s loan related to the hedging;
- the shareholder loan following the reverse merger of Mic Holdco S.r.l.;
- the contingent consideration for business combinations to be paid from 2021 onwards.

22 Non-current financial liabilities (Continued)

The following table represents the movement of financial liabilities:

Description	December 2017	Cash flows			Non cash changes	December 2018
		New loans	Repayment	Reclass.	Other movements	
			(in Euros)			
Non-current financial liabilities	232,425,051	63,408,184	(39,919,919)	(74,122,200)	(3,852,081)	177,939,035
Current financial liabilities	115,355,058		(115,355,058)	74,122,200	0	74,122,200
Total	**347,780,109**	**63,408,184**	**(155,274,977)**	**0**	**(3,852,081)**	**252,061,234**

Description	December 2018	Cash flows			Non cash changes	December 2019
		New loans	Repayment	Reclass.	Other movements	
			(in Euros)			
Non-current financial liabilities	177,939,035	92,167,759		(86,518,499)	13,897,593	197,485,888
Non-current financial liabilities for right of use	0			(14,828,586)	168,958,728	154,130,142
Current financial liabilities	74,122,200		(57,833,653)	79,263,883	12,532,824	108,085,253
Current financial liabilities for right of use	0		(16,003,627)	22,083,202	14,636,795	20,716,370
Total	**252,061,234**	**92,167,759**	**(73,837,280)**	**0**	**210,025,939**	**480,417,653**

The other movements of non-current and current financial liabilities for right of use, amounting to Euro 168.9 million and Euro 14.6 million respectively are related to the effect of application of IFRS 16.

The reclassification of non current financial liabilities, amounting to Euro 86.5 million, represents the reclassification of the short-term portion of the loan.

The breakdown of the Group's net financial position is reported below:

Description	31.12.2019	31.12.2018
	(in Euros)	
Cash and cash equivalent	56,323	36,841
Bank and postal deposits	191,813,969	177,465,956
A) Cash and cash equivalents	**191,870,292**	**177,502,797**
B) Current financial receivables	**0**	**4,700,000**
Bank overdrafts (bank overdrafts of bank accounts)	(5,852,080)	(4,263,099)
Short term bank loans	(80,630,715)	(55,519,222)
Current financial liabilities for right of use	(20,716,370)	0
Other current financial liabililities	(21,602,459)	(14,339,879)
C) Current borrowing	**(128,801,623)**	**(74,122,200)**
D) Net current financial position	**63,068,669**	**108,080,598**
Non-current financial liabilities	(183,630,387)	(167,621,564)
Non-current financial liabilities for right of use	(154,130,142)	0
Other non-current financial liabilities	(13,855,500)	(10,317,470)
E) Non-current borrowing	**(351,616,029)**	**(177,939,035)**
F) Net financial position	**(288,547,361)**	**(69,858,437)**

23 Non-current lease liabilities IFRS 16

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Non-current lease liabilities IFRS16	154,130,142	0	154,130,142

With regard to the portion due within 12 months of lease payables, amounting to Euro 20,716,370, please refer to the paragraph on current payables for leases IFRS 16.

The table below shows the breakdown of leased liabilities into current and non-current payables:

Description	Within 1 year	Between 1-5 years	Over 5 years
		(in Euros)	
Amounts due for finance lease (IAS17)	1,329,126	4,561,144	48,646
Payables for lease offices and branches	13,044,214	140,374,111	84,955,084
Payables for vehicle financing	4,134,834	5,139,318	
Payables for hardware and software lease	2,079,531	3,952,979	
Other lease liabilities	128,665	102,588	
Total	**20,716,370**	**154,130,141**	**85,003,730**

Lease liabilities are monitored within the Group's treasury function.

24 Deferred tax liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Deferred tax liabilities	162,880,181	167,646,133	(4,765,952)

Deferred tax liabilities have been calculated on the following items:

	31.12.2019		31.12.2018	
Description	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
		(in Euros)		
Properties, plant and equipment—tax depreciations	115,790	33,006	0	0
Goodwill	14,635,784	4,083,385	29,330,922	8,737,445
Intangibles—trademark	453,029,362	126,395,192	453,029,362	126,395,192
Other revenues—research grants	1,213,527	298,444	1,406,717	344,810
Other revenues—research grants taxed in 5 years	67,067,529	16,096,207	66,123,982	15,869,756
Doubtful debt provision	20,666	4,960	20,666	4,960
IFRS adjustments FTA	2,050,703	572,146	2,159,879	602,606
IFRS—IAS 8 adjustments	1,031	328	1,031	328
Customer relationship—allocation of goodwill	53,237,761	15,385,821	56,201,952	15,680,344
Other	44,555	10,693	44,555	10,693
Total	**591,416,706**	**162,880,181**	**608,319,065**	**167,646,134**

24 Deferred tax liabilities (Continued)

The following tables show details of deferred tax liabilities recognised in the income statement:

Description	Doubtful debt provision	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
			(in Euros)			
Balance as of 01.01.2018	**4,960**	**126,395,192**	**26,919,571**	**16,448,959**	**4,940,934**	**174,709,616**
Impact on the income statement			(11,239,227)	(234,393)	4,410,138	(7,063,482)
Impact on the statement of comprehensive income						
Balance as of 31.12.2018	**4,960**	**126,395,192**	**15,680,344**	**16,214,566**	**9,351,071**	**167,646,133**
Change from merger						0
Impact on the income statement	0	0	(294,523)	180,086	(4,651,515)	(4,765,952)
Impact on the statement of comprehensive income						0
Balance as of 31.12.2019	**4,960**	**126,395,192**	**15,385,821**	**16,394,651**	**4,699,556**	**162,880,181**

25 Non-current provisions for risks and charges

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Non-current provisions for risks and charges	4,686,023	4,015,264	670,759

The provision for risk refers to litigations with customers for Euro 4.0 million and labour litigations for Euro 0.7 million.

Changes are detailed below:

Description	*(in Euros)*
Balance as of 01.01.2018	**3,894,900**
Exchange difference effect	(429,662)
Increase	550,026
Balance as of 31.12.2018	**4,015,264**
Exchange difference effect	(80,780)
Increase	751,539
Balance as of 31.12.2019	**4,686,023**

26 Other non-current liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other non-current liabilities	38,985,512	37,459,457	1,526,055

Other non-current liabilities include:

- for Euro 36.9 million the measurement of payables – based on provisions set out by IAS 32 – for put options granted to non-controlling. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved;
- for Euro 1 million the payables for a non-competition agreement signed with the top management.

27 Post-employment benefits

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Post-employment benefits	74,412,000	69,768,374	4,643,625

Due to the introduction of Italian Law no. 296 of 27 December 2006 and subsequent decrees and regulations issued at the beginning of 2007, post-employment benefits from 1 January 2007 changed from a "defined benefit plan" to a "defined contribution plan" as a consequence of the application of differing accounting treatment of post-employment benefits accrued before or after 31 December 2006.

Post-employment benefits, accrued after 1 January 2007, represent a "defined contribution plan". Periodically, the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, therefore the post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

Post-employment benefits accrued up to 31 December 2006 continue to represent a "defined benefit plan" which is more certain in terms of their existence and sum, but uncertain in terms of manifestation.

The total amount of the benefit obligation is calculated and certified on an annual basis by an independent actuary by using the "Projected Unit Credit" method.

A summary of the actuarial assumptions adopted in measuring post-employment benefits is provided below.

Financial assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- future annual revaluation rates of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rate was established as variable from 0.0000% to 0.6997% and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

- to evaluate length of employment with the Company, the "Tavola di permanenza nella posizione di attivo" RG48 (a table for company service length prepared by the Italian Treasury Department based on data for those born in 1948) was used, selected, projected and separated by gender, supplemented with the probability of additional reasons for departure (resignations, advances which are a financial-based cause for leaving, measurable in terms of cancellation probability, and other).

The following table show the absolute and relative changes in liabilities measured according to IAS 19 (DBO), while assuming a 10% negative or positive change in the revaluation and/or discounting rates.

		Discounting				
Engineering Group		**-10%**		**100%**		**10%**
				(in Euros)		
	-10%	**74,120,459**	168,017	**73,952,442**	(166,691)	**73,785,751**
		(459,482)	(289,278)	(459,557)	(623,986)	(455,132)
Infla	100%	**74,579,941**	170,203	**74,411,999**	(168,855)	**74,240,883**
		463,678	633,880	459,198	290,409	459,264
	+10%	**75,043,619**	172,422	**74,871,197**	(171,050)	**74,700,147**

		Discounting				
Engineering Group		**-10%**		**100%**		**10%**
	-10%	**+99.61%**	+0.22%	**+99.39%**	-0.23%	**+99.16%**
		-0.62%	-0.39%	-0.61%	-0.84%	-0.61%
Infla	100%	**+100.23%**	+0.23%	**+100.00%**	-0.23%	**+99.77%**
		+0.62%	+0.85%	+0.62%	+0.39%	+0.62%
	+10%	**+100.85%**	+0.23%	**+100.62%**	-0.23%	**+100.39%**

27 Post-employment benefits (Continued)

Actuarial profits and losses are recognised under shareholders' equity on an accrual basis, while interest cost was recognised in the income statement under "Financial charges".

Changes are detailed below:

Description	*(in Euros)*
Balance as of 01.01.2018	**67,709,886**
Change in opening balance for merger	4,882
Provisions	25,888,258
Amounts paid to social security institutions + INPS	(23,930,990)
Actuarial gains/(losses)	1,953,964
Benefits paid	(2,845,726)
Indemnities on acquisition of Group business units/subsidiaries	982,457
Transfer payables of Group business units/subsidiaries	(97,909)
Post-empl. benefits, consolidated companies	235,270
Post-empl. benefits, companies not in consolidation scope	(131,719)
Balance as of 31.12.2018	**69,768,374**
Provisions	28,041,488
Amounts paid to social security institutions + INPS	(25,943,367)
Actuarial gains/(losses)	4,560,052
Benefits paid	(3,814,963)
Indemnities on acquisition of Group business units/subsidiaries	1,595,554
Transfer payables of Group business units/subsidiaries	(688,463)
Post-empl. benefits, consolidated companies	893,324
Balance as of 31.12.2019	**74,411,999**

The "Provisions" item comprises the interest cost for an amount equal to Euro 105,009.

F) Current liabilities

28 Current financial liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Current financial liabilities	108,085,253	74,122,200	33,963,054

Current financial liabilities relate to payables to lenders, banks and other current financial liabilities as reported below:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Bank loans	80,630,715	55,519,222	25,111,492
Bank overdrafts	5,852,080	4,263,099	1,588,981
Other current financial liabilities	21,602,459	14,339,879	7,262,580
Total	**108,085,253**	**74,122,200**	**33,963,054**

Bank loans

As of 31 December 2019, short-term loans totalled Euro 80,630,715 and relate to the short-term portion of bank loans for which reference is made to paragraph 20 "Non-current financial liabilities" and for Euro 23,820 thousand relate to short term loans with a duration lower than six months.

28 Current financial liabilities (Continued)

Bank overdrafts

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Payables for advances on invoices	0	78,643	(78,643)
Bank overdrafts	5,852,080	4,184,456	1,667,624
Total	**5,852,080**	**4,263,099**	**1,588,981**

Other current financial liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other grants	18,735,699	10,836,827	7,898,872
Payables for lease	0	1,366,832	(1,366,832)
Contingent consideration for business combinations	2,866,760	2,136,220	730,540
Total	**21,602,459**	**14,339,879**	**7,262,580**

"Other grants" refer to amounts received for research projects to be reversed to other partner subjects.

The item "Contingent consideration for business combinations" refers to earn-outs still to be paid.

29 Current financial liabilities for right of use

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Current liabilities for right of use	20,716,370	0	20,716,370

"Current liabilities for right of use" relate to the short-term portion of leases described in Note 23 "Non-current lease liabilities IFRS 16" paragraph.

30 Current tax payables

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Current tax payables	5,496,524	4,080,474	1,416,050

The balance as of 31 December 2019 primarily includes current tax payables.

The breakdown is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
IRES	3,974,505	3,395,991	578,514
IRAP	531,947	674,007	(142,060)
Substitute tax	268,943	10,475	258,468
Other tax payables	721,127		721,127
Total	**5,496,524**	**4,080,474**	**1,416,050**

31 Current provisions for risks and charges

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Current provisions for risks and charges	15,087,070	17,144,424	(2,057,354)

31 Current provisions for risks and charges (Continued)

Current provisions for risks and charges are broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Provision for risks and charges	10,776,406	11,305,512	(529,106)
Provision for losses on projects	4,310,664	5,838,912	(1,528,248)
Total	**15,087,070**	**17,144,424**	**(2,057,354)**

The provision for current risks and charges is mainly broken down as follows:

- Euro 6,552 thousand regarding the restructuring plan linked to the measure provided for in the 2019 Finance Package "Quota 100", which provides for early retirement with respect to the law in force;
- Euro 2,300 thousand for the provision made in the previous year for leaving and restructuring incentives;
- Euro 1,109 thousand relating to legal disputes and the risk of penalties with customer contracts;
- Euro 240 thousand to cover losses of the subsidiary company Engi da Argentina S.A..

The item "Provision for losses on projects" refers to the risks for probable future losses on some existing projects.

The changes in the current provisions for risks and charges during the years in question are as follows:

Description	*(in Euros)*
Balance as of 01.01.2018	**20,270,005**
Increase	9,343,732
Decrease	(12,465,495)
Change in consolidation scope	(3,818)
Balance as of 31.12.2018	**17,144,424**
Increase	6,385,707
Decrease	(8,423,201)
Change in consolidation scope	(19,859)
Balance as of 31.12.2019	**15,087,070**

32 Other current liabilities

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other current liabilities	172,240,417	170,068,831	2,171,586

32 Other current liabilities (Continued)

This item is broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Directors and Statutory Auditors	1,384,038	1,134,066	249,971
Consultants	40,790	132,720	(91,929)
Acquisition of business unit	0	548,080	(548,080)
Withholding taxes	1,070,921	1,158,227	(87,306)
Tax payables	27,799,627	31,201,074	(3,401,447)
Due to RTI partners	3,532,317	3,309,836	222,481
Social security institutions	23,665,319	21,506,869	2,158,450
Others	9,816,817	11,347,156	(1,530,339)
Employees	98,765,218	91,277,770	7,487,448
Partners for research projects	5,475,778	7,828,320	(2,352,543)
Accrued m/l loan interest	397,425	269,840	127,586
Other accruals	6,416	50	6,366
Other deferred income	285,751	354,823	(69,072)
Total	**172,240,417**	**170,068,831**	**2,171,586**

Tax payables are broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
VAT	8,329,536	13,130,412	(4,800,876)
Suspended VAT	1,222,550	1,427,637	(205,087)
IRPEF	16,088,655	15,246,413	842,242
Other	2,158,886	1,396,612	762,274
Total	**27,799,627**	**31,201,074**	**(3,401,447)**

33 Trade payables

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Trade payables	367,537,070	337,615,519	29,921,551

Trade payables refer to current payables to suppliers for goods and services.

The balance as of 31 December 2019 is broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Suppliers	312,721,040	291,805,320	20,915,720
Associated companies	51,821	256	51,565
Others	54,764,208	45,809,942	8,954,266
Total	**367,537,070**	**337,615,519**	**29,921,551**

33 Trade payables (Continued)

a) Suppliers

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Due to suppliers	212,818,963	177,584,373	35,234,590
Due to foreign suppliers	9,850,701	19,150,066	(9,299,365)
Invoices to be received	91,204,153	95,908,093	(4,703,940)
Credit notes to be received	(1,152,778)	(837,212)	(315,565)
Total	**312,721,040**	**291,805,320**	**20,915,720**

b) Payables to associates

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Invoices received	51,821	256	51,565
Total	**51,821**	**256**	**51,565**

c) Others

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Advances for future work	54,764,208	45,809,942	8,954,266
Total	**54,764,208**	**45,809,942**	**8,954,266**

The amounts due to others relate to net advances made by customers that exceed the value of inventories.

Income statement

A) Total revenues

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Total revenues	1,273,989,560	1,177,547,877	96,441,683

The breakdown of total revenues is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Revenues from sales and service	1,250,882,131	1,154,892,172	95,989,959
Other revenues	23,107,429	22,655,704	451,725
Total	**1,273,989,560**	**1,177,547,876**	**96,441,684**

34 Revenues

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Revenues from sales and service	1,218,794,585	1,138,138,861	80,655,725
Cgs. finished products and construction contracts	32,087,546	16,753,312	15,334,234
Total	**1,250,882,131**	**1,154,892,172**	**95,989,959**

Changes finished products and construction contracts refers to the variation of the period of customer contract assets. For further information please refers to Note 14.

34 Revenues (Continued)

The Group records revenues from the fulfilment of the obligation to do both "at a point in time" and "over time", as summarised in the table below, per type of product/service:

Fulfilment of obligations	Type of good of services				
	Deliverable based contracts	Resource based contracts	Services based contracts	Assistance and maintanance based contracts	Total
			(in Euros)		
At a point in time	n/a	n/a	295,449,965	n/a	295,449,965
Over time	584,057,637	121,711,355	n/a	249,663,174	955,432,166
Total	**584,057,637**	**121,711,355**	**295,449,965**	**249,663,174**	**1,250,882,131**

For further information of revenue streams please refers to Note 4.22.

35 Other revenues

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other revenues	23,107,429	22,655,704	451,725

The breakdown of other revenues is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Grants	17,212,578	15,681,287	1,531,291
Other income	5,894,851	6,974,418	(1,079,566)
Total	**23,107,429**	**22,655,704**	**451,725**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community.

36 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017

As required by Italian Law no. 124 of 2017, information is provided below on grants, contributions, paid assignments and economic benefits of any kind received by public administrations and/or companies directly or indirectly controlled by them.

In order to avoid the accumulation of irrelevant information, the Group has made use of the possibility of not providing information on benefits received of less than Euro 10,000 in the period considered.

Project title	Project description	Lender	Collection date	Total
				(in Euros)
SUNRISE PROJECT—Development of technologies for proximity services and the mobility in smart territories - SUNRISE	The objective of the SUNRISE project is the analysis of the state-of-the-art technological components of the market and the definition and design of a modular and open HW and SW environment aimed at developing an integrated ecosystem of innovative services, such as proximity and location-based services with high added value as: Infomobility, Tourist info, Smartparking, M-payment, Reservation. The project will offer an innovative, modular and open solution, based on integration and collaboration among the various proximity technologies (and other IoT technologies), capable of enabling an end-to-end ecosystem of proximity services.	Tuscany Region	18.06.2019	45,000.00
			Total	**45,000.00**
"SiMonA"—Advanced Monitoring Systems of Production Lines	The SiMonA project provides tools for the control and monitoring of WSN, a data analytics system based on Big Data Analytics, Machine Learning and rule-based semantic reasoning techniques, localization and energy saving services, as well as real-time communication modules between human operators and machine tools.	Piedmont Region (through FinPiemonte)	03.04.2019	127,131.74
			31.10.2019	157,518.38
			Total	**284,650.12**
BA2Know—Business Analytics to Know	The activities of the BA2KNOW project (concluded) were aimed at designing and setting up a multidisciplinary, dynamic, flexible and creative collaborative on-line environment, with a strong focus on the state-of-the art advancement in the field of techniques, models and methods of automatic analysis of large data banks, in order to realise business analytics services focused on service innovation and IT and knowledge innovative management.	MIUR	15.03.2019	988,891.99
			02.05.2019	269,583.37
			Total	**1,258,475.36**

36 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017 (Continued)

Project title	Project description	Lender	Collection date	Total
				(in Euros)
eHealthLEARN ICT for healthcare	eHealthNet—TRAINING: the aim was to train highly professional figures on the following topics: interoperability in the healthcare field, necessary to make existing structures and data communicate and to interconnect them, while guaranteeing security, privacy and confidentiality; technologies for telemonitoring and telemedicine; knowledge technologies to support healthcare processes of diagnosis, therapy and rehabilitation for the rationalisation and control of healthcare spending; technologies for predictive medicine, aimed at early diagnosis on a genetic basis.	MIUR	11.07.2019	7,498.00
			Total	**7,498.00**
eHealthNET—Software Ecosystem for electronic health	Research, modelling and development of innovative computer applications within the eHealth (eHealthNet project).	MIUR	09.10.2019	576,731.91
			Total	**576,731.91**
Training of new smart professionals for the security of agri-food supply chains	The aim was to train new smart professionals for the quality and safety of the food supply chains. In particular, these figures have carried out researches on the issues of traceability and integrity for the supply chain, institutional policies on agri-food, sustainability of production systems for some specific food chains such as cereal and dried fruit, dairy and Grana Padano cheese.	MIUR	01.07.2019	20,467.39
			16.12.2019	19,128.61
			Total	**39,596.00**
FRASI—Framework for Agent-based Semantic-aware Interoperability	The objective of the FRASI project is the creation of “a reference architecture for the definition of dynamic and collaborative software systems, which are modular and specially configurable, with introspective capabilities, based on agents for the management and smart use of information and services in a global and integrated way”. More generally, the aim of the project is to investigate the adoption of smart systems that are distributed to support the technological development of SMEs and to enable their e-business processes.	MIUR	24.05.2019	185,000.00
			Total	**185,000.00**

36 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017 (Continued)

Project title	Project description	Lender	Collection date	Total
				(in Euros)
ICOSAF—Integrated and collaborative systems for the Smart Factory	Analysis and development of tools, technologies and systems aimed at fostering greater integration of factory operators according to the concepts of Industry 4.0, such as interconnected automation, and Industry 5.0 with the humanization and reuse of resources. Activities focus, in particular, on the development of smart and interactive technologies for high human density processes, simulation models and validation methods dedicated to these new “cooperative factory” technologies.	MIUR	11.11.2019	225,000.00
			Total	**225,000.00**
Innovations for data processing in the field of Cultural Heritage (IDEHA)	Analysis and development of tools and technologies to obtain an open IT platform for Cultural Heritage able to offer services for the management of digital contents (such as HBIM, images, text) coming from traditional repositories and able to disclose information generated in real time by users or environmental sensors (e.g. temperature, humidity, etc.). The activities focus in particular on the development of technologies that allow for the management, through an advanced content management system, of both text/multimedia descriptions in HTML5 and 360 video contents with possible addition of information tags. Besides the management system, the development will also cover applications that allow for the use of contents, also immersive, for both expert and non-expert users—(IDEHA project).	MIUR	22.05.2019	485,322.08
			Total	**485,322.08**
Mobile Continuous Connected Comprehensive—Care—Integrated platform to record, synchronise and share data and access health and lifestyle information as well as the Mobility Health System (MC3CARE)	The research activities of the MC3CARE project are aimed at acquiring new knowledge and techniques related to Mobile Health and aimed at the realisation of health services (eHealth). These activities will involve the Engineering Group and people committed in activities of requirements collection, scenario description, technological scouting, design and development with particular emphasis on security and privacy aspects that are essential and mandatory, especially in eHealth issues. Engineering will also be involved as a leader in the analysis of the regulatory context and the reference market.	MIUR	18.04.2019	842,825.13
			12.09.2019	149,546.47
			Total	**992,371.60**

36 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017 (Continued)

Project title	Project description	Lender	Collection date	Total
				(in Euros)
PNRM Echo System	Creation of a decision support platform for the classification of objects detected in open sea, through the analysis of acoustic signals obtained using sonar sensors.	Ministry of Defence - Navarm - Segredifesadirez. Naval Weaponry	28.03.2019	166,357.10
			20.12.2019	248,675.73
			Total	**415,032.83**
RED PROJECT	Research activities aimed at supporting the Valle d'Aosta local Authorities in the management of risks related to avalanches and rockfalls. In order to achieve this goal, an operational dashboard has been created that, using special algorithms, acquires, processes and allows to visualise territorial and environmental data, thus providing the necessary information to the Authorities for rapid and weighted assessments on the type of mitigation intervention to be adopted in an emergency or not. RED has therefore developed three projects related to two distinct operating units. The first was responsible for the modeling, monitoring and management of big data related to disruption phenomena, the second aimed at creating a software capable of returning a complete, reliable and easy to use risk scenario.	Valle D'Aosta Region RED-Risk Evaluation Dashboard	04.07.2019	17,623.27
			Total	**17,623.27**
S.E.A.—Security for marine Environment and Aquacolture	Support activities to the design and development of innovative applications in order to create a Collaborative Work Environment (CWE), which is a Knowledge Management system based on data correlation engine and able to offer dashboards to support decision makers. Interface specifications, message format, server positioning and communication technology, control logic and functionality offered to end users will be defined, thus providing a system capable of ensuring maximum reusability and flexibility.	Puglia Region	26.06.2019	147,805.96
			Total	**147,805.96**

36 Disclosure pursuant to Article 1, paragraphs 125-129, Italian Law 124/2017 (Continued)

Project title	Project description	Lender	Collection date	Total
				(in Euros)
SAFE&SMART—New enabling technologies for food safety and integrity of agro-food chains, within a global scenario	Within the SAFE&SMART research project, support activities for the design and development of innovative applications were carried out in order to create a Service Oriented Architecture (SOA) which is able to render different systems interoperable. The aim is to guarantee the integrity of the information exchanged within the typical processes of the agro-food chains. The project has also envisaged the creation of a prototype system to carry out the functional validation of the "smart chain".	MIUR	01.07.2019	94,856.21
			13.12.2019	64,725.02
			16.12.2019	142,029.12
			Total	**301,610.35**
Smart Health 2.0—Integration of the two projects "Smart Health" and "ODSH Cluster—SmartFSE - Staywell"	The research activities of the Smart Health project concern the analysis and prototype definition of applications focused on wellness and improvement of lifestyles.	MIUR	08.07.2019	1,028,911.14
			Total	**1,028,911.14**
SUMMIT—Support Multiplatform for IoT Applications	Research activities aimed at conceiving, specifying, implementing and testing through real pilot applications, a configurable, adaptive and extensible IoT (Internet of Things) platform that enables the safe and reliable integration and management of smart objects (e.g. sensors, smartphones, tablets, programmable devices, robots, etc.)—SUMMIT project.	MISE	23.10.2019	367,437.91
			Total	**367,437.91**
Grand total				**6,378,066.53**

B) Operating expenses

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Operating expenses	1,212,810,291	1,099,507,419	113,302,872

37 Operating expenses

The breakdown of operating expenses is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Raw materials and consumables	33,729,702	20,135,999	13,593,702
Service costs	425,332,941	421,702,199	3,630,741
Personnel costs	639,924,808	586,456,014	53,468,794
Amortisation and depreciation	60,296,088	43,464,123	16,831,965
Provisions	39,450,458	15,772,403	23,678,054
Other costs	14,076,295	11,976,680	2,099,615
Total	**1,212,810,291**	**1,099,507,419**	**113,302,872**

38 Raw materials and consumables

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Raw materials and consumables	33,729,702	20,135,999	13,593,702

38 Raw materials and consumables (Continued)

Below is a breakdown of costs for raw materials and consumables:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Hardware	6,699,174	5,994,128	705,047
Software	25,712,449	13,567,538	12,144,911
Consumables	1,318,079	574,334	743,745
Total	**33,729,702**	**20,135,999**	**13,593,702**

39 Service costs

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Service costs	425,332,941	421,702,199	3,630,741

Service costs comprise the following accounts:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
EDP purchases, services and data lines	4,769,515	4,992,883	(223,368)
Insurance	4,706,674	4,251,052	455,622
Bank commissions	2,685,699	2,900,241	(214,542)
Technical support and consultancy	301,225,432	289,408,305	11,817,127
Consultancy from associates	(9,166)		(9,166)
Legal and administrative consultancy	5,301,292	3,644,703	1,656,589
Training and refresher courses	3,565,816	3,207,263	358,553
Consultants	477,902	571,057	(93,155)
Cost of corporate bodies	3,135,743	2,751,304	384,440
Building rental	1,899,922	15,813,140	(13,913,219)
Maintenance of tang. and intang. assets	26,048,633	21,345,649	4,702,985
Canteen and other personnel costs	10,948,666	9,931,103	1,017,563
Automotive expenses	8,762,387	13,332,351	(4,569,964)
Hardware and software rental	458,900	4,760,117	(4,301,217)
Maintenance and security services	5,154,170	4,890,801	263,369
Advertising and sales rep. expenses	2,598,347	1,863,367	734,981
Travel costs	22,692,399	21,398,317	1,294,082
Postage and shipping expenses	5,664,356	4,028,861	1,635,495
Utilities	9,001,894	7,606,863	1,395,031
Other	6,244,360	5,004,824	1,239,537
Total	**425,332,941**	**421,702,199**	**3,630,741**

The item "Technical support and consultancy" refers to external professional resources services used in our operating and production cycles whose increase is therefore directly related to the growth in revenues.

The decrease in building rental, hardware and software rental and automotive expenses due to the application, as from 1 January 2019, of IFRS 16, according to which rental fees are no longer charged to the income statement, but to fixed assets, with a contra-entry of financial payable to the lessor, amortised over the duration of the contract. The financial charge is charged to the income statement using the effective interest rate method.

During the year, the Group incurred costs for the transfer of the headquarters of Euro 1.6 million and charges relating to the corporate strategic assessment process for Euro 1.2 million.

39 Service costs (Continued)

The following table shows the remuneration paid in 2019 to the auditors of theses consolidated financial statements, in accordance with Article 149-duodecies of the Consolidated Law on Finance.

Service	Provider	Beneficiary	Remuneration (1)	Note
			(in Euros)	
Engineering Ingegneria Informatica S.p.A.				
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	332,500	
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	23,000	(2)
Other services	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	119,500	(3)
Controlled companies				
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000	
Audit	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	35,000	
Other services	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	9,500	(2)
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000	
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	500	(2)
Other services	Deloitte & Touche S.p.A.	Municipia S.p.A.	10,000	(4)
Audit	Deloitte & Touche S.p.A.	Engineering 365 S.r.l.	10,000	
Group total			**575,000**	

(1) Fees are expressed net of expenses.
(2) Audit activities related to expenses incurred for staff training activities.
(3) Agreed upon procedure on accounting data and information and methodological assistance service in the gap analysis on accounting standard IFRS 16.
(4) Subscription to the VAT declaration form.

40 Personnel costs

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Personnel costs	639,924,808	586,456,014	53,468,794

Personnel costs consist of:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Salaries and wages	479,034,316	445,472,507	33,561,809
Social security expenses	113,949,542	104,572,311	9,377,231
Post-employment benefits	27,840,903	25,694,182	2,146,721
Restructuring and reorganising personnel	3,240,192	316,500	2,923,692
Other personnel costs	15,859,855	10,400,514	5,459,341
Total	**639,924,808**	**586,456,014**	**53,468,794**

The "Salaries and wages" item includes costs related to holidays and leave pays, indemnities, overtime and bonuses.

The change is mainly due to the increase in the average number of employees, as shown in the table below.

The item "Restructuring and reorganising personnel" contains the costs of incentives for employees leaving early during the year for Euro 3.2 million.

The "Other personnel costs" item includes:

- the reclassification of amortisation and depreciation of Euro 4,847 thousand relating to cars assigned to employees as required by IFRS 16, applied from 1 January 2019;
- the re-invoicing of fringe benefits to employees for cars;
- the cost of the Stock Option Plan of Euro 10,021 thousand.

40 Personnel costs (Continued)

The Stock Option Plan assigned is classified as Equity Settled and therefore the contra-entry of the costs is recorded in an equity reserve which, in addition to this amount, also includes the increase for the portion of Stock Options assigned to the subsidiary Engineering D.HUB S.p.A., for Euro 385 thousand. The subsidiary recognised, instead, a cost of equal amount.

During the year, 10,668 options were assigned to the beneficiaries of the Stock Options Plan, while the number of options that lapsed was (3,191).

The options become exercisable if certain time and performance objectives are achieved (so-called "vested options"). In particular, the time target is achieved—according to the regulation scheme—pro-rata temporis over the period December 2017—December 2020.

The options vested can be exercised (i) starting from the plan expiration notice and no later than the working day prior to the plan expiry date and (ii) upon the occurrence of a divestment at any time without any expiry condition.

The exercise of vested shares is permitted, without losing any vested rights, even to the so-called "good leaver" beneficiary who has terminated his employment relationship. If the so-called "good leaver" beneficiary ceases during the period December 2017—December 2020, the same will be entitled to a pro-rata temporis of options to be exercised.

In the event that the divestment took place before December 2020, the options would all be considered 100% vested. At 31 December 2019 there was not any accelerating event.

The fair value of rights assigned is calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model).

In particular, the main input data used to measure the fair value of the Stock Option Plan is summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve (IRS 3 years) as of 31 December 2017;
- historical volatility (at 260 days), observed as of 31 December 2017;
- dividend yield equal to zero for the Stock Option measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

The fair value of options granted in the first pool amounted to Euro 43.30 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 3.5 years;
- the exercise price for each share at the assignment date is Euro 42.15.

40 Personnel costs (Continued)

A summary of options granted within the Stock Option Plan is shown hereunder:

	As of 31.12.2019		As of 31.12.2018	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
Beginning of the year		**929,994**		**911,759**
Granted during the year	42	10,668	42	18,235
Lapsed during the year				
Lapsed during the year		**(3,191)**		
End of period	**42**	**937,471**		**929,994**

No option is reported as overdue in the period shown in the table.

At 31 December 2019 the reserve for share-based payments amounted to Euro 29,349 thousand. The increase for the year in the income statement was Euro 9,636 thousand.

Average number of employees	31.12.2019	31.12.2018	Change
		(unità)	
Executives	406	388	18
Managers	2,102	1,997	106
Other employees	8,815	7,955	861
Total	**11,323**	**10,339**	**984**

The average number of employees in 2019 increased by 984 compared to the previous year, due to both organic growth and the entry of new companies into the scope of consolidation.

41 Amortisation and depreciation

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Amortisation and depreciation	60,296,088	43,464,123	16,831,965

The breakdown is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Depreciation of property, plant and equipment	8,003,539	7,920,177	83,362
Amortisation of intangible assets	32,285,695	35,543,946	(3,258,251)
Depreciation and amortisation IFRS 16	20,006,854		20,006,854
Total	**60,296,088**	**43,464,123**	**16,831,965**

Amortisation and depreciation increased mainly as a result of the adoption of the new IFRS 16 standard which provides for the depreciation of the right of use, specifically buildings, plant and machinery, industrial and commercial equipment. For further details, please refer to the paragraph “Rights of use and leased assets”.

42 Provisions

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Provisions	39,450,458	15,772,403	23,678,054

Provisions increased due to the changes reported in the following table:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Allocation to doubtful debt provision	32,687,843	7,727,142	24,960,701
Risk provision	6,762,615	7,500,995	(738,381)
Write-down of fixed assets		544,266	(544,266)
Total	**39,450,458**	**15,772,403**	**23,678,054**

42 Provisions (Continued)

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date.

The increase in the doubtful debt provision is mainly due to:

- the write-down of receivables due from the subsidiary Sicilia e-Servizi Venture S.c.r.l. of Euro 26.8 million;
- the write-down of financial receivables of the German subsidiary for Euro 8.4 million;
- the release of a provision for risk of previous years for Euro 3.0 million.

The other provisions for risks mainly refer to Euro 5.9 million for restructuring costs linked to the early exit of employees who meet the requirements for Quota 100 and to Euro 0.3 million to cover the losses of the subsidiary Engi da Argentina S.A..

43 Other costs

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Other costs	14,076,295	11,976,680	2,099,615

Other costs are broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Dues and subscriptions	776,989	804,006	(27,017)
Taxes	8,509,829	7,332,792	1,177,037
Gifts and donations	114,519	98,526	15,993
Charges for social causes	911,057	1,086,166	(175,109)
Other	3,763,901	2,655,190	1,108,711
Total	**14,076,295**	**11,976,680**	**2,099,615**

Other costs include the non-income taxes charges for Euro 2.94 million arising from an inspection of tax authorities for Euro 2,131 thousand related to non-income taxes of previous years, charges related to an inspection of tax authorities on subsidiary Infogroup S.p.A. for Euro 600 thousand and unrecoverable withholding taxes paid in foreign countries for Euro 212 thousand.

44 Net financial income/(expenses)

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Net financial income/(charges)	(2,469,376)	3,651,166	(6,120,543)

Financial income is broken down as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Interest income	5,034,793	8,112,864	(3,078,070)
Fair value gain (differential from derivative)	78,095	248,974	(170,879)
Gain on exchange differences	3,315,284	7,267,355	(3,952,071)
Total	**8,428,172**	**15,629,193**	**(7,201,020)**

Interest income includes interest in arrears (around Euro 5 million) related to receivables from Sicilia Digitale S.p.A./the Sicilian Region, reference of which is made to the previous paragraph 14.

The gains on exchange rate (equal to approximately Euro 3.3 million) are included in the item "Other income".

44 Net financial income/(expenses) (Continued)

Financial expenses consist of:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Interest expense	6,585,873	5,126,310	1,459,563
Loss on exchange differences	4,311,676	6,851,716	(2,540,040)
Total	**10,897,549**	**11,978,026**	**(1,080,478)**

Interest expense refers principally to loans detailed in Explanatory Note 21 hereof.

The caption included for Euro 1.5 million refers to interest expenses on financial leases.

45 Income/(expenses) from investments

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Income/(charges) from investments	3,240,594	(32,549)	3,273,142

The breakdown is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Gains on equity investments	4,060,134		4,060,134
Write-down of equity investments	(828,604)	(208,080)	(620,524)
Non-recurring income (charges)	9,064	175,531	(166,467)
Total	**3,240,594**	**(32,549)**	**3,273,142**

46 Taxes

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Taxes	18,121,308	23,966,116	(5,844,808)

The breakdown of taxes is as follows:

Description	31.12.2019	31.12.2018	Change
		(in Euros)	
Current	25,192,187	21,142,445	4,049,741
Deferred	(7,070,879)	2,823,670	(9,894,549)
Total	**18,121,308**	**23,966,116**	**(5,844,808)**

Taxes for the period were estimated taking account of the result in the period and of the existing regulations and represent the best estimate of the tax charge.

46 Taxes (Continued)

Reconciliation between the theoretical and effective tax rate is shown below:

Reconciliation between theoretical and effective tax rate	31.12.2019 Amount	%	31.12.2018 Amount	%
	(in Euros)			
Profit before taxes	61,950,487		81,659,074	
Ordinary rate applied	**14,868,117**	**+24.0%**	**19,598,177**	**+24.0%**
Tax effects deriving from:				
Income taxable in prior years	4,623,392	+7.5%	4,287,347	+5.3%
Income not taxable	(3,668,916)	-5.9%	(5,155,654)	-6.3%
Expenses not deductible	19,558,528	+31.6%	12,312,007	+15.1%
IAS differences	(365,096)	-0.6%	(365,096)	-0.4%
Other changes reducing taxable IRES	(9,910,655)	-16.0%	(8,686,006)	-10.6%
Utilisation of previous years tax losses	(2,909,704)	-4.7%	(3,270,905)	-4.0%
Effect of foreign tax rates	(2,446,563)	-3.9%	(1,264,605)	-1.5%
Total assessable IRES	**82,287,929**		**72,730,272**	
Tax/Tax rate	**19,749,103**	**+31.9%**	**17,455,266**	**+21.4%**

Deferred taxes were calculated taking into consideration the accumulated sum of all temporary differences on the basis of the average expected rate for successive tax periods when these differences will reverse. For details of the temporary differences, which have resulted in deferred taxes, reference is made to the previous paragraphs 9 “Deferred tax assets” and 21 “Deferred tax liabilities”.

Other significant information

- **COMMITMENTS UNDERTAKEN**

The following table summarises the commitments of the Group as of 31 December 2019.

Description	31.12.2019
	(in Euros)
Third party sureties	380,677,102
Bank sureties in favour of other companies	12,010,505
Bid Bonds and Performance Bonds	62,905,976
Total commitments undertaken	**455,593,583**

Third party sureties

These relate to guarantees provided in respect of participation in tender offers, for the signing of contracts and for guarantees on office rental contracts.

Bank sureties in favour of other companies

Bank sureties essentially refer to the Parent Company and concern sureties in favour of other companies.

Bid Bonds and Performance Bonds

These types of commitments relate to guarantees given for participation in tenders.

47 Breakdown of financial instruments by category

For all transactions the balances (financial or non-financial) for which an accounting standard requires or permits measurement at fair value and which fall within the scope of IFRS 13, the Group applies the following criteria:

a) identification of the unit of account, i.e. the level at which an asset or liability is aggregated or disaggregated to be recognised for IFRS purposes;

47 Breakdown of financial instruments by category (Continued)

b) identification of the main market (or, in the absence thereof, the most advantageous market) in which transactions could take place for the asset or liability being valued; in the absence of evidence to the contrary, it is assumed that the market currently used coincides with the main market or, in the absence thereof, with the most advantageous market;

c) definition, for non-financial assets, of the highest and best use: in the absence of evidence to the contrary, the highest and best use coincides with the current use of the asset;

d) definition of the most appropriate valuation techniques for estimating fair value: these techniques maximise the use of observable data, which market participants would use in determining the price of the asset or liability;

e) determination of the fair value of the assets, as the price that would be received for their sale, and of the liabilities and equity instruments, as the price that would be paid for their transfer in a regular transaction between market participants at the valuation date;

f) inclusion of "non-performance risk" in the valuation of assets and liabilities and, in particular for financial instruments, determination of an adjustment factor in the measurement of fair value to include, in addition to counterparty risk (CVA—credit valuation adjustment), own credit risk (DVA—debit valuation adjustment).

On the basis of the data used for fair value measurements, a fair value hierarchy is identified on the basis of which assets and liabilities measured at fair value or for which fair value is indicated in the financial statement disclosures are classified:

a) level 1: includes prices quoted in active markets for assets or liabilities identical to those being valued;

b) level 2: includes observable data, different from those included in level 1, such as: (i) prices quoted in active markets for similar or identical assets or liabilities; (ii) prices quoted in non-active markets for similar or identical assets or liabilities; (iii) other observable data (interest rate curves, implicit volatilities, credit spreads);

c) level 3: uses non-observable data, which may be used if no observable input data is available. The non-observable data used for fair value measurement purposes reflects the assumptions that market participants would make when pricing the assets and liabilities being measured.

Please refer to the table below for the definition of the fair value hierarchy level on the basis of which the individual instruments measured at fair value have been classified.

No transfers between the different levels of the fair value hierarchy took place during the year.

The fair value of derivative instruments is determined by discounting expected cash flows to present value, using the market interest rate curve at the reference date and the listed credit default swap curve of the counterparty and Group companies, to include the non-performance risk explicitly provided for by IFRS 13.

For medium/long-term financial instruments, other than derivative instruments, where market prices are not available, the fair value is determined by discounting expected cash flows, using the market interest rate curve at the reference date and considering the counterparty risk in the case of financial assets and its credit risk in the case of financial liabilities.

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of 31 December 2019:

Items as of 31.12.2019	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
		(in Euros)	
Other non-current assets		3,240,170[(*)]	
Trade receivables	590,500,354		
Cash and cash equivalents	191,870,292		
Total assets	**782,370,646**	**3,240,170**	**0**

47 Breakdown of financial instruments by category (Continued)

Items as of 31.12.2018	Assets valued at amortised cost	Assets valued at FVOCI	Assets valued at FVPL
		(in Euros)	
Other non-current assets		2,960,207(*)	
Trade receivables	568,087,727		
Cash and cash equivalents	177,502,797		
Total assets	**745,590,525**	**2,960,207**	**0**

Items as of 31.12.2019	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
		(in Euros)	
Non-current financial liabilities	197,477,475		8,413(*)
Other non-current liabilities			36,954,072(**)
Current financial liabilities	108,085,253		
Trade payables	367,537,070		
Total liabilities	**673,099,798**		**36,962,485**

Items as of 31.12.2018	Liabilities valued at amortised cost	Liabilities valued at FVOCI	Liabilities valued at FVPL
		(in Euros)	
Non-current financial liabilities	172,201,272		67,643(*)
Other non-current liabilities	8,790,676		28,668,781(**)
Current financial liabilities	72,871,323		
Trade payables	337,615,519		
Total liabilities	**591,478,790**		**28,736,424**

(*) The fair value reported in the table above is included in level 2 of the fair value hierarchy.
(**) The fair value reported in the table above is included in level 3 of the fair value hierarchy.

48 Transactions with related parties

Companies which directly or indirectly, through one or more intermediary companies, control, are controlled by the Parent Company and in which the company holds a shareholding such as to exercise significant influence, associated companies, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

No transactions of an atypical and/or unusual nature were undertaken with related parties or outside normal business practice or such as to distort the Group financial statements. The transactions with related parties relate to normal operations in the case of each respective entity and are conducted at normal market conditions. No other transactions with related parties other than those indicated below were undertaken.

The other current liabilities include post-employment benefit payables of some senior managers of the Company, under a stability pact signed in 2009.

48 Transactions with related parties (Continued)

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of 31 December 2019, eliminated for consolidation purposes:

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	LG- NET S.r.l.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Balkan d.o.o.	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.
									(in Euros)								
Engineering Ingegneria Informatica S.p.A		10,215,052.32	4,004,950.92	532.00	1,064,499.93	361,587.01	4,490,712.19	510,577.53	60,000.00	1,848,214.69	1,327,680.59	281,499.83	45,413.14	821,535.48	254,645.05	480,298.02	1,154,357.00
Engineering D.HUB S.p.A.	27,054,383.67		1,000,162.52		51,428.52			56,848.35		2,528.00	16,249.84				14,661.94		
Municipia S.p.A.	1,010,368.05	23,611.50								11,459.10							
Engineering Sardegna S.r.l.	971,526.80	468,103.49									259,967.89						
Engiweb Security S.r.l.	15,910,418.28	72,983.39	225,830.72				2,532.00				8,975.49						31,147.96
Nexen S.p.A.	1,154,590.22																
OverIT S.p.A.	33,859,399.65	97,631.63	10,000.00									554,474.18	220,419.18				
Engineering 365 S.r.l.	9,268,266.55	28,748.00			165,939.52										2,933.37	1,946.00	
WebResults S.r.l.	8,456,790.49	1,051.86								1,577.80		73,527.53	127,368.76				
Engineering do Brasil S.A.	109,020.76							304,092.00					38,051.00				
Engi da Argentina S.A.								45,625.00				0.10					
Engineering International Belgium S.A.	516,249.70		—														
Engineering Balkan d.o.o.	5,071,903.49									120,358.57							
Sofiter Tech S.r.l.	580,437.59																
Sogeit Solutions S.r.l.	4,233,203.54																
Engineering SL	787,146.33							68,713.09									
Engineering DSS GmbH	5,760.00																
Engineering BSC GmbH																	
Engineering USA Inc.	33,098.08																
EITS – Engineering ITS	10,778.00							51,728.97									
Engineering Software Labs GmbH																	
Securetech Nordic S.A.																	
OmnitechIT Secur s.l.																	
Omnisecure d.o.o.																	
OverIT GmbH								24,000.00									
Pragma																	
Cybertech	1,194,605.99	1,614,415.35			1,721.88												
Digitelematica S.r.l.	113,806.55																
Deus Technology S.r.l.	150,505.00																
Total revenues	**110,492,258.74**	**12,521,597.54**	**5,240,944.16**	**532.00**	**1,283,589.85**	**361,587.01**	**4,493,244.19**	**1,061,584.94**	**60,000.00**	**1,984,138.16**	**1,612,873.81**	**909,501.44**	**431,252.07**	**821,535.48**	**272,240.35**	**482,244.02**	**1,185,504.96**

48 Transactions with related parties (Continued)

Description	OverIT International Inc.	Engineering SL	Engineering DSS GmbH	Engineering BSC GmbH	Engineering USA Inc.	EITS-Engineering ITS	Engineering Software Labs s.r.o.	Engineering Software Labs GmbH	Securetech Nordic S.A.	OmnitechIT Secur s.l.	OmnitechIT GmbH	Omnisecure d.o.o.	BW Digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	Pragma	Cybertech	Digitelematica S.r.l.	Total costs
										(in Euros)									
Engineering Ingegneria Informatica S.p.A		191,953.09			589,236.13	166,895.79		774,733.89								229.42	208,390.05	12,080.00	28,865,074.06
Engineering D.HUB S.p.A.			32,506.54		128,740.58	205,124.00											201,789.83		28,764,423.79
Municipia S.p.A.																			1,045,438.65
Engineering Sardegna S.r.l.																			1,699,598.18
Engiweb Security S.r.l.		400.50																	16,252,288.34
Nexen S.p.A.																			1,154,590.22
OverIT S.p.A.	802.08				—										159,786.10				34,902,512.82
Engineering 365 S.r.l.																			9,467,833.44
WebResults S.r.l.																			8,660,316.44
Engineering do Brasil S.A.					234,265.57														685,429.33
Engi da Argentina S.A.																			45,624.90
Engineering International Belgium S.A.																			516,249.70
Engineering Balkan d.o.o.												—							5,192,262.06
Sofiter Tech S.r.l.																			580,437.59
Sogeit Solutions S.r.l.																			4,233,203.54
Engineering SL								352,053.48											1,207,912.90
Engineering DSS GmbH				60,527.40		156,739.90		59,192.30							13,458.00				295,677.60
Engineering BSC GmbH			419,105.87			102,521.76	31,717.91	53,907.21											607,252.75
Engineering USA Inc.																			33,098.08
EITS – Engineering ITS			915,835.69	561,339.36				611,900.40							1,394.04				2,152,976.46
Engineering Software Labs GmbH			9,165.87	320,388.01			208,510.74												538,064.62
Securetech Nordic S.A.														448,303.44					448,303.44
OmnitechIT Secur s.l.												180.65					70,362.32		70,542.97
Omnisecure d.o.o.										173,525.00	24,760.00						619,870.00		818,155.00
OverIT GmbH																			24,000.00
Pragma																	203,106.85		203,106.85
Cybertech									285,241.62	152,147.61		26,199.78	83,156.42			48,878.82			3,406,367.47
Digitelematica S.r.l.																			113,806.55
Deus Technology S.r.l.																			150,505.00
Total revenues	**802.08**	**192,353.59**	**1,376,613.97**	**942,254.77**	**952,242.29**	**631,281.45**	**240,228.64**	**1,851,787.28**	**285,241.62**	**325,672.61**	**24,760.00**	**26,380.43**	**83,156.42**	**448,303.44**	**174,638.14**	**49,108.24**	**1,303,519.05**	**12,080.00**	**152,135,052.74**

48 Transactions with related parties (Continued)

Description	Engineering Ingegneria Informatica S.p.A.	Municipia S.p.A.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium S.A.	Engineering Balkan d.o.o.	Sogeit Solutions S.r.l.	OverIT International Inc.	Engineering SL	Eits-Engineering ITS	Engineering Software Labs s.r.o.	OverIT GmbH	Cybertech	Total charges
									(in Euros)									
Engineering Ingegneria Informatica S.p.A.	—	884,853.37	25,533.89	5,847.81	368.46	63,454.59	625,453.28	93,624.40	27,000.00	183.00	6,482.19		427.79	97,477.99				1,830,706.77
Engineering D.HUB S.p.A.	238,919.47																119,913.99	358,833.46
Municipia S.p.A.	618,683.13																	618,683.13
Engiweb Security S.r.l.	20,586.54																	20,586.54
Nexen S.p.A.	60,177.30																	60,177.30
OverIT S.p.A.								12,712.46				699.42				163.33		13,575.21
Engineering Software Labs GmbH															228.57			228.57
Total proceeds	**938,366.44**	**884,853.37**	**25,533.89**	**5,847.81**	**368.46**	**63,454.59**	**625,453.28**	**106,336.86**	**27,000.00**	**183.00**	**6,482.19**	**699.42**	**427.79**	**97,477.99**	**228.57**	**163.33**	**119,913.99**	**2,902,790.98**

Description	Engineering Ingegneria Informatica S.p.A.	Engineering D.HUB S.p.A.	Municipia S.p.A.	LG-NET S.r.l.	Engineering Sardegna S.r.l.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	Engineering 365 S.r.l.	WebResults S.r.l.	Engineering do Brasil S.A.	Engi da Argentina S.A.	Engineering International Belgium SA	Engineering Balkan d.o.o.	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.
									(in Euros)								
Engineering Ingegneria Informatica S.p.A.	—	8,931,286.57	32,772,719.66	532.00	2,919,511.15	1,111,835.85	4,478,631.91	985,535.10	49,793,452.89	11,926,704.97	645,387.53	15,323,344.67	2,654,088.30	2,805,216.02	366,010.54	196,338.82	1,037,484.50
Engineering D.HUB S.p.A.	72,412,885.09	—	450,215.86		73,209.78	—	—	62,448.43		798.00	16,249.84	76,029.56		33.36	26,293.57		
Municipia S.p.A.	1,865,567.47	27,187.41		494.90	4,059.13	—											
Engineering Sardegna S.r.l.	912,684.11	820,309.52								84,060.48	615,204.15						
Engiweb Security S.r.l.	9,216,066.14	150,241.98	120,161.75			—	16,038.96				10,950.10						27,393.36
Nexen S.p.A.	8,397,141.17	—	—			25,964.76											
OverIT S.p.A.	24,874,543.13	180,883.50	10,000.00		—							507,245.51	254,482.33				
Sicilia e-Servizi Venture S.c.r.l.	33,295.03																
Engineering 365 S.r.l.	10,954,961.43	22,252.65	1,786.30		305,000.00										99,897.65	2,374.12	
WebResults S.r.l.	3,516,730.55	33,404.97								1,577.80	—	70,431.32	101,900.65				
Engineering do Brasil S.A.	295,848.87							145,764.12					30,147.99				
Engi da Argentina S.A.	30,851.35							39,925.00				-0.00					
Engineering International Belgium S.A.	782,654.30	33.36	4,730.00														
Engineering Balkan d.o.o.	1,209,553.26									105,671.02							
Sofiter Tech S.r.l.	577,500.47																
Sogeit Solutions S.r.l.	1,304,958.96																
Engineering SL	956,303.47							59,041.27									
Engineering DSS GmbH	24,216.34							—									
Engineering BSC GmbH																	
Engineering USA Inc.	33,199.01																
EITS – Engineering ITS	3,778.00							2,761.04									
Engineering Software Labs GmbH	160,000.00																
Securetech Nordic S.A.																	
OmnitechIT Secur s.l.																	
OmnitechIT GmbH																	
Omnisecure d.o.o.																	
Pragma																	
Cybertech	1,171,720.15	551,094.47			1,721.88												
Digitelematica S.r.l.	138,666.55																
Deus Technology S.r.l.	151,000.00																
Total assets	**139,024,124.85**	**10,716,694.43**	**33,359,613.57**	**1,026.90**	**3,303,501.94**	**1,137,800.61**	**4,494,670.87**	**1,295,474.96**	**49,793,452.89**	**12,118,812.27**	**1,287,791.62**	**15,977,051.06**	**3,040,619.27**	**2,805,249.38**	**492,201.76**	**198,712.94**	**1,064,877.86**

48 Transactions with related parties (Continued)

(in Euros)

Description	OverIT International Inc.	Engineering SL	Euroams srb d.o.o.	Engineering DSS GmbH	Engineering BSC GmbH	Engineering USA Inc.	EITS – Engineering ITS	Engineering Software Labs s.r.o.	Engineering Software Labs GmbH	Securetech Nordic S.A.	OmnitechIT Secur s.l.	OmnitechIT GmbH	Omnisecure d.o.o.	BW digitronik A.G.	OmnitechIT Security AS	OverIT GmbH	Pragma	Cybertech	Digitelematica S.r.l.	Total passive
Engineering Ingegneria Informatica S.p.A.		598,516.41				326,946.48	4,312,663.37		1,374,895.42								7,992.22	313,062.16	14,737.60	142,896,894.14
Engineering D.HUB S.p.A.				32,506.54		24,274.03	476,771.66											9,364,424.07		83,016,139.79
Municipia S.p.A.																				1,897,308.91
Engineering Sardegna S.r.l.																				2,432,258.26
Engiweb Security S.r.l.		656.03																		9,541,508.32
Nexen S.p.A.																				8,423,105.93
OverIT S.p.A.	157,103.32															159,786.10				26,144,043.89
Sicilia e-Servizi Venture S.c.r.l.																				33,295.03
Engineering 365 S.r.l.																				11,386,272.15
WebResults S.r.l.																				3,724,045.29
Engineering do Brasil S.A.						126,858.53														598,619.51
Engi da Argentina S.A.																				70,776.35
Engineering International Belgium S.A.																				787,417.66
Engineering Balkan d.o.o.			0.00										2,993.91							1,318,218.19
Sofiter Tech S.r.l.																				577,500.47
Sogeit Solutions S.r.l.																				1,304,958.96
Engineering SL									6,144.26											1,021,489.00
Engineering DSS GmbH					220,000.00		856,147.86		—							2,669.18				1,103,033.38
Engineering BSC GmbH				336,887.81			10,960.11	8,039.99												355,887.91
Engineering USA Inc.																				33,199.01
EITS – Engineering ITS				34,236.00	162,727.76				163,974.42											367,477.22
Engineering Software Labs GmbH				4,589.52	76,123.39		680,000.00	110,575.50												1,031,288.41
Securetech Nordic S.A.															179,001.50					179,001.50
OmnitechIT Secur s.l.													180.63					562.32		742.95
OmnitechIT GmbH													90,905.16							90,905.16
Omnisecure d.o.o.										—	139,945.00	—						87,520.00		227,465.00
Pragma																		255,608.50		255,608.50
Cybertech										167,037.47	320,474.61	3,000.00	104,808.09	1,402.20			113,439.67			2,434,698.54
Digitelematica S.r.l.																				138,666.55
Deus Technology S.r.l.																				151,000.00
Total assets	**157,103.32**	**599,172.44**	**0.00**	**408,219.87**	**458,851.15**	**478,079.04**	**6,336,543.00**	**118,615.48**	**1,545,014.10**	**167,037.47**	**460,419.61**	**3,000.00**	**198,887.80**	**1,402.20**	**179,001.50**	**162,455.28**	**121,431.89**	**10,021,177.05**	**14,737.60**	**301,542,825.98**

49 Events occurring after 31 December 2019

The main events occurred after the reporting date are described hereunder:

- on 7 February 2020 Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 95% of the company F.D.L. Servizi S.r.l., which operates in the IT sector in the software market for the integrated management of Energy Services, Heat Management and District Heating Networks, with registered office in Breno (BS), share capital of Euro 20,800.00 fully paid-up;
- on 7 February 2020, the Board of Directors of LG Net S.r.l., having ascertained the cause for the dissolution of the company pursuant to Article 2484, paragraph 1.4 of the Italian Civil Code, filed a declaration of the cause for dissolution for reduction of the capital below the legal minimum with the competent Company Register, in accordance with the provisions of the third paragraph of Article 2384 of the Italian Civil Code, declaring the company in liquidation.

COVID-19

With the recent and rapid development of the Coronavirus epidemic, many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures. The interruptions are noticeable in some sectors such as tourism, hospitality, transport, retail sales and entertainment, while in other sectors such as manufacturing there are some chain effects. The financial markets have suffered immediate effects.

The coronavirus epidemic occurred in China in December 2019 and continued to evolve gradually.

On 30 January 2020, the WHO International Emergency Standards Committee declared the epidemic a “public health emergency of international concern”. Since then, more cases have been diagnosed, including in other countries.

In Italy, the pandemic initially affected the Northern regions and subsequently spread to the rest of the country. The Italian Government issued several decrees of the Presidency of the Council of Ministers, which have introduced increasingly restrictive measures for commercial activities and social aggregation in order to contain the risk of contagion. In this context, preceding the decree of the Italian Government, which came into force on 23 March 2020, and temporarily suspended all non-essential production activities, the Group has progressively limited activities to customers and/or operating offices being able to work in smart working. Indeed, the use of cloud systems and advanced individual productivity systems have allowed a rapid reconfiguration of activities in smart working mode ensuring the safety of the Group’s employees and the continuation of the activities contracted with customers. In addition, Engineering as part of its activities is able to manage remotely the workstations of customers turning them into a “Digital Workplace”; this technology helps and supports the new way of working required in the current scenario.

To protect the health of its employees, the Engineering Group has issued a series of stringent orders, such as the limitation of travel and access to offices, to consultants and suppliers as well, methods of conducting meetings in compliance with the decrees, internal communication methods through timely circulation of Covid-19 press releases.

For the purposes of preparing these consolidated financial statement as of 31 December 2019, the events connected to Covid-19 constitute a “non-adjusting event” of the economic and financial results and therefore the information required pursuant to IAS 10—Events after the Reporting Period has been provided. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of the current pandemic on the Group.

Business scenarios and implemented operations

In the current complex market situation we are focused on supporting our clients, the Italian Government and in particular the Italian healthcare sector, in order to best meet their needs. We believe that potential impacts will manifest in the Transportation, Retail and some areas related to manufacturing. In this context, all sectors are increasing demands for digitization, from workplace to remote maintenance, as well as using data management platforms to facilitate decisions. The topic of digital transformation was already on the policy actions list for many organizations. From what emerges from the market in these days, the current crisis has put it at the top of

49 Events occurring after 31 December 2019 (Continued)

that list. Companies with little or no digitization are currently at a standstill. However, it should be noted that in all markets, core processes of big companies did not stop completely. This, for the Group, which developed its core activities with big companies, suggests a continuing solid business.

From Digital Workplace to collaboration tools, all of our customers are asking us to increase digital capabilities or take the first steps of digital transformation quickly. By digitizing the business, they also increase awareness of the importance of Cybersecurity to protect the digitalization of business.

Our remote maintenance tools are receiving additional boosts of demand as it is impossible for many experienced maintainers to be present onsite.

In these weeks, we have all witnessed the ramp up of digital expenses and the difficulties in managing the increase in demand. Last year we acquired a start up with a cutting-edge e-commerce proposal, whose first data is very promising. Finally, our data management platforms are currently active in the territory to allow those who are fighting this virus to make better decisions, in less time, based on data.

Focus on contractual obligations

With the adoption of the Containment Measures, while increasing the potential risk that the obligations undertaken may not be carried out within the contractual terms or not completely fulfilled, the Group considers it highly unlikely that this risk will actually materialize. This assessment is based both on the instruction contained in the Italian Civil Code on the subject of excessive onerousness and impossibility of performance and on interpretative practices regarding force majeure events. In fact, a party may not be held liable for its failure to perform (i) if the contractually envisaged service becomes excessively onerous due to the occurrence of "extraordinary or unforeseeable events" and/or (ii) if the failure or delay in performance is due to the impossibility of performance not attributable to it, the party shall not be held liable for any such failure or delay. In this sense, it seems useful to underline Article 79 of DL 18/20 which, although with reference to the aviation sector, has recognized "(omissis) the Covid-19 epidemic is formally recognized as a natural disaster and exceptional event (omissis)".

Group financial position and liquidity

There may be a slowdown in cash collections from certain customers, who may be impacted more significantly by the Covid-19 emergency, compared to what was expected. In any case, the diversification of the sectors in which the Group's customers operate (Public Administration, Finance, Healthcare, Industry, Transportation, Telco & Media, Energy & Utilities) and the good financial condition, the availability of liquidity and credit lines already approved, are elements mitigating the potential financial and liquidity risk. Moreover, even in a context of general uncertainty related to the effects of Covid-19 at the current time the Directors did not identify critical elements to compromise the compliance with the covenants illustrated in Note 22 to the Explanatory Notes in future years. In particular, the level of available liquidity should enable the Group to face the coming months, albeit in a context of uncertainty, without recourse to additional sources of funding. The potential effects on the consolidated financial statements for the year ending 31 December 2020 are not determinable and will be subject to constant monitoring throughout the year. However, at the current stage of the Covid-19 context, the scenarios of medium-long term of the Group did not detect clear risks of impairment of the values recorded in the financial statements as at 31 December 2019.

Sensitivity Analysis

The Group, considering the impact of Covid-19, performed a series of quantitative and qualitative analyses to substantiate the risks connected to the current scenario. In particular, in the various estimation processes related to the valuation of recoverability of goodwill and intangible assets with indefinite useful lives the Group developed sensitivity analysis with the purpose of identifying the value of the key parameters where the recoverable amount matches the book value.

49 Events occurring after 31 December 2019 (Continued)

Stress test—goodwill and trademark

With reference to goodwill and to the net invested capital it has been developed a stress test over growth rate of revenues for the year 2020, verifying for the main CGUs and also the trademark the break-even point (i.e. zero cover).

In the following table, the column "Break-even – % revenue reduction rate" shows the percentage limit for the reduction of revenues, compared to the estimates of the multi-year plan by the Directors in the respective years, in order that the value in use is equal to the book values and without considering any cost savings compared to what was estimated in the plan; therefore, this decrease represents a break value, below which the impairment test would not be passed. In particular, the sensitivity mentioned above shows that revenues for the year 2020 could be lower than the revenues of 2019, (for the percentage indicated), without this leading to an impairment situation.

Description	Break-even - % revenue reduction rate 2020
CGU	
Finance	-61.0%
Energy & Utilities	-41.7%
Telco & Media	-100.0%
Pal and Taxes	-24.5%
Health	-28.1%
Intagible assets	
Engineering trademark	-45.2%

The Directors, at the current stage, considering the highlighted margins, in a scenario of reasonable fluctuations of the hypothesis used in determining the recoverable amount, do not deem there are significant uncertainties in the recoverability of goodwill and intangible assets with indefinite useful life. However, considering the circumstances we are facing, the Group will monitor the future developments.

50 Remuneration of Key Management Personnel

The Board of Directors were appointed with the Ordinary Shareholders' Meeting of 11 April 2019 and have accrued a total amount of Euro 65 thousand during the year.

The President and the CEO, who operate in continuity with the previous mandate, continue to receive compensation for their work. The total amount accrued during the year was Euro 1,579 thousand.

The Board of Statutory Auditors was appointed with the Ordinary Shareholders' Meeting of 11 April 2019, following the resolution of the Board of Directors held on the same day. The total amount accrued during the year was Euro 44 thousand.

The Supervisory Body has accrued a total amount of Euro 30 thousand during the year.
For the Independent Auditors Deloitte & Touche S.p.A. reference is made to paragraph 39 of this document.

51 Information on the members of the Board of Directors and Control Boards

The Group Corporate Governance system and the Bodies and Offices are established to achieve maximum equilibrium between the needs for flexibility and timeliness in decision making, a high degree of transparency in dealings between the various centres of responsibility and the external entities, and the exact identification of roles and consequent responsibilities.

51 Information of Directors on and the Control members Boards of the Board (Continued)

BOARD OF DIRECTORS

On 11 April 2019, after the resolution of the Company's Ordinary Shareholders' Meeting and following the resolution of the Board of Directors held on the same day, a new Board of Directors and a new Board of Statutory Auditors were elected and will remain in office until the approval of the financial statements as of 31 December 2021. The composition of Corporate Bodies is as follows:

Michele Cinaglia	Chairman
Paolo Pandozy	Chief Executive Officer
Armando Iorio	Director
Gabriele Cipparrone	Director
Giancarlo Rodolfo Aliberti	Director
Marco Bonaiti	Director
Emilio Voli	Director
Fabio Cosmo Domenico Cané	Director
Stefano Bontempelli	Director
Michele Quaranta	Director
Giovanni Camisassi	Director

BOARD OF STATUTORY AUDITORS

Domenico Muratori	Chairman
Patrizia Paleologo	Statutory Auditor
Massimo Porfiri	Statutory Auditor

DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Paolo Pandozy

SUPERVISORY BOARD

Roberto Fiore	Chairman
Spartaco Pichi	Member
Annalisa Quintavalle	Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

52 Information on share-based remuneration plan

On 28 June 2017, the Board of Directors of the Company approved a Stock Option Plan for the employees, consultants, collaborators and directors of the Company and certain companies of the Group controlled by the same to encourage the Group's commitment to growth and the loyalty of the beneficiaries. This plan concerns options for the subscription of shares of Engineering Ingegneria Informatica S.p.A

As part of the plan, participants are assigned 911,759 options, granted free of charge to beneficiaries. The options, when exercisable, entitle each to subscribe one share (of special class B), corresponding to 7.5% of the share capital before the dedicated increase. The options are divided into three pools: a first pool of 897,718 options and a second and third pool of equal number of options for the remainder.

The exercise price of each option belonging to the first pool is equal to Euro 42.15 per share, while the exercise price of each option belonging to the second and third pools will instead be determined by the Board of Directors annually on the basis of "Fair Market Value" of the Company on the date of such determination.

The shares are made available to the beneficiary on the plan expiry date.

52 Information on share-based remuneration plan (Continued)

On the expiry date of the plan, the Board of Directors has the right to pay the beneficiary in cash the difference between i) the Fair Market Value of the shares due to the beneficiary and ii) the exercise price. In this case, the beneficiary will not have the right to demand the issue of shares and the options attributed to it will lose their effectiveness. Despite the faculty attributed to the Board of Directors to choose between cash payment and issue of equity instruments, the directors believe that the Company does not present any current obligation to pay cash at the balance sheet date. Therefore, the plan was accounted for as a share-based payment transaction.

The shares subscribed by the beneficiary following the exercise of the options are available from the day following the expiry date of the plan.

The Company has the right to request the beneficiary to remit to the same the minimum amount sufficient to meet the tax charges imposed by law.

Report of the Board of Statutory Auditors on the Consolidated Financial Statements as at 31 December 2019

Shareholders,

the consolidated financial statements at 31 December 2019 were prepared by the Directors in accordance with the law and approved by them at the meeting of the Board of Directors held on 25 March 2020. Our checks were carried out according to the rules of conduct of the Board of Statutory Auditors set out by the National Council of Chartered Accountants and Accounting Experts.

The Group has adopted the International Accounting Standards—IFRS since 2005.

The Board reports that it has carried out the usual exchange of information, pursuant to Article 2409-septies of the Italian Civil Code, with the company in charge of the Group's statutory audit, Deloitte & Touche S.p.A

The financial statements of the individual subsidiaries have been duly approved by the respective competent administrative bodies and subjected to auditing within the limits and according to the methods set out in the auditing plan defined by the Statutory Auditor and deemed adequate and sufficient in order to express the required professional opinion on the Company's consolidated financial statements.

We have read the consolidated financial statements of the Group as at 31 December 2019 and we have ascertained that the identification of the consolidation area and the choice of the principles of consolidation of the equity investments, as well as the procedures adopted for this purpose, comply with the legal requirements and the accounting principles applicable in this case, including, from 1 January 2019, the new IFRS 16, whose impact on the consolidated financial statements has been duly illustrated in the Explanatory Notes.

The Board of Statutory Auditors has taken note that the Statutory Auditor, Deloitte & Touche S.p.A., with its report dated 10 April 2020, also expressed an opinion with no findings, comments or emphasis of matter, on the consolidated financial statements closed on 31 December 2019.

Having regard also to the opinion expressed by the Statutory Auditor, we certify that the consolidated financial statements as at 31 December 2019 have been prepared in compliance with the provisions of Legislative Decree no. 127/1991 and subsequent amendments. The criteria adopted by the Board of Directors in the financial statement assessments and value adjustments, duly detailed in the Explanatory Notes to the consolidated financial statements, are inspired by the general and usual criteria within the perspective of business continuity.

We checked the Directors' report on the Group's management performance, which accompanies the consolidated financial statements, in order to verify compliance with the minimal content required by applicable legislation.

Based on the checks carried out, the Board believes that the Group's management report is correct and exhaustive and is consistent with the consolidated financial statements.

The Board also took note of the report approved by the Directors concerning the Impairment Test relating to intangible assets with an indefinite useful life recorded in the consolidated financial statements as at 31 December 2019, which confirmed the sustainability of the values recorded in the assets, as no evidence emerged of lasting losses of value. Taking into account that the criteria and methods used for the test, as well as the relative results, which are duly detailed in the Explanatory Notes, the Board has no comments to make in this regard.

Considering also the results of the activity carried out by the subject in charge of the statutory audit of the accounts contained in the audit report of the consolidated financial statements issued on 10 April 2020, which is not qualified and contains no emphasis of matter, the Board believes that it has no reports to make on the consolidated financial statements.

Rome, 10 April 2020

The Board of Statutory Auditors
Domenico Muratori
Patrizia Paleologo Oriundi
Massimo Porfiri

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ENGINEERING INGEGNERIA INFORMATICA S.P.A. FOR THE YEAR ENDED DECEMBER 31, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
Engineering Ingegneria Informatica S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated 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 Engineering Ingegneria Informatica S.p.A. ("Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, 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 the 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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.
- Obtain 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 communicate 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.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering Ingegneria Informatica Group as at December 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing 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 Engineering Ingegneria Informatica Group as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 1, 2019

This report has been translated into the English language solely for the convenience of international readers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial Position—Assets	Note	31.12.2018	31.12.2017
		(in Euros)	
A) Non-current assets			
Property, plant and equipment	*5*	37,467,016	38,304,315
Intangible assets	*6*	545,300,808	569,268,687
Goodwill	*7*	67,365,314	60,844,716
Other equity investments	*8*	150,975	150,975
Deferred tax assets	*9*	23,186,256	32,251,670
Other non-current assets	*10*	5,560,690	5,794,572
Total non-current assets		**679,031,059**	**706,614,935**
B) Non-current assets held for sale		**0**	**0**
C) Current assets			
Inventories	*11*	55,440	197,738
Customer contract assets	*12*	167,359,263	150,323,955
Deferred contract costs	*13*	23,333,398	0
Trade receivables	*14*	568,087,727	550,834,537
Other current assets	*15*	60,314,237	72,606,806
Cash and cash equivalents	*16*	177,502,797	207,017,853
Total current assets		**996,652,863**	**980,980,889**
Total assets (A + B + C)		**1,675,683,922**	**1,687,595,823**

Statement of Financial Position—Liabilities	Note	31.12.2018	31.12.2017
D) Shareholders' equity			
Share Capital	*17*	31,875,000	31,875,000
Reserves	*18*	497,264,761	511,174,082
Retained earnings/(losses carried forward)	*19*	26,763,190	(9,996,382)
Profit/(loss) for the year		55,211,805	47,710,323
Group shareholders' equity		**611,114,756**	**580,763,023**
Capital and reserves of minority interests		2,228,300	2,388,964
Profit/(loss) for the year ended of minority interest		2,481,155	1,320,119
Total shareholders' equity	*17*	**615,824,211**	**584,472,106**
E) Non-current liabilities			
Non-current borrowings	*20*	177,939,035	232,425,051
Deferred tax liabilities	*21*	167,646,133	174,709,616
Non-current provisions for risks and charges	*22*	4,015,264	3,894,900
Other non-current liabilities	*23*	37,459,457	13,068,793
Post-employment benefits	*24*	69,768,374	67,709,887
Total non-current liabilities		**456,828,263**	**491,808,246**
F) Current liabilities			
Current borrowings	*25*	74,122,200	115,355,058
Current tax payables	*26*	4,080,474	4,250,916
Current provisions for risks and charges	*27*	17,144,424	20,270,005
Other current liabilities	*28*	170,068,831	153,298,644
Trade payables	*29*	337,615,519	318,140,848
Total current liabilities		**603,031,447**	**611,315,471**
G) Total liabilities (E + F)		**1,059,859,711**	**1,103,123,717**
Total liabilities and shareholders' equity (D + G)		**1,675,683,922**	**1,687,595,823**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income Statement	Note	31.12.2018	31.12.2017
		(in Euros)	
A) Total revenues			
Revenues		1,154,892,172	1,001,792,739
Other revenues	*31*	25,409,864	27,004,720
Total revenues	*30*	**1,180,302,036**	**1,028,797,459**
B) Operating expenses			
Raw materials and consumables	*34*	20,135,999	16,322,136
Service costs	*35*	421,907,011	367,419,368
Personnel costs	*36*	589,005,361	518,886,310
Amortisation and depreciation	*37*	43,464,123	33,975,081
Provisions	*38*	15,772,403	19,194,803
Other costs	*39*	11,976,680	12,651,191
Total operating expenses	*33*	**1,102,261,578**	**968,448,890**
C) Operating profit (A - B)		**78,040,458**	**60,348,569**
Financial income		15,629,193	10,331,983
Financial expenses		11,978,026	15,822,772
D) Net financial income (expenses)	*40*	**3,651,166**	**(5,490,788)**
E) Total income/(expenses) from investments	*41*	**(32,549)**	**(998,988)**
F) Profit before taxes (C + D + E)		**81,659,076**	**53,858,793**
G) Income taxes	*42*	23,966,116	4,828,350
H) Profit from continuing operations (F - G)		**57,692,960**	**49,030,443**
I) Profit/(loss) from discontinued operations		0	0
L) Consolidated profit/(loss) for the year (H + I)		**57,692,960**	**49,030,443**
Profit attributable to Group		2,481,155	1,320,119
Group share		55,211,805	47,710,323

Comprehensive Income Statement	Note	31.12.2018	31.12.2017
		(in Euros)	
L) Consolidated profit/(loss) for the year		**57,692,960**	**49,030,443**
M) Other comprehensive income statement items			
Actuarial gains/(losses) of employee defined plans		(1,953,964)	(1,467,014)
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		468,951	352,084
Changes in other equity reserves			
Tax effect of changes in other equity reserves			
Total other profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(1,485,012)**	**(1,114,930)**
N) Total other profit/(loss) which will be reclassified in profit/(loss) for the year:			
Profit/(loss) on cash flow hedge instruments			
Tax effect related to other profit/(loss) which will be reclassified in profit/(loss) for the year			
Exchange gains/losses on non Euro accounts		(1,565,624)	(1,425,339)
Taxation on exchange gains/losses on non Euro accounts			
Total other profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(1,565,624)**	**(1,425,339)**
Total other profit/(loss), net of tax effect		**(3,050,637)**	**(2,540,268)**
O) Total comprehensive income for the year (L + M + N)		**54,642,323**	**46,490,174**
Profit attributable to Group		2,494,879	2,028,434
Group share		52,147,445	44,461,740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Description	Share Capital	Reserves	Retained earnings/ (losses carried forward)	Profit/(loss) for the year	Group Shareholders' Equity	Non-controlling interests	Total
				(in Euros)			
Opening balance	**989,947**	**527,909,574**	**0**	**904,725**	**529,804,246**	**1,188,868**	**530,993,114**
Net profit/(loss)				50,240,665	50,240,665	2,023,600	52,264,265
Other net comprehensive items		(1,425,339)	(1,119,765)	0	(2,545,104)	4,835	(2,540,270)
Total comprehensive income for the year	**0**	**(1,425,339)**	**(1,119,765)**	**50,240,665**	**47,695,561**	**2,028,434**	**49,723,995**
Transactions with Shareholders	**0**	**0**	**904,725**	**(904,725)**	**0**	**0**	**0**
Other changes	**30,885,053**	**(15,310,153)**	**(9,781,343)**	**(2,530,343)**	**3,263,214**	**491,782**	**3,754,996**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,383)**	**47,710,322**	**580,763,021**	**3,709,084**	**584,472,105**
Net profit/(loss)				55,211,805	55,211,805	2,481,155	57,692,960
Other comprehensive income net of tax		(1,565,624)	(1,498,736)		(3,064,360)	13,724	(3,050,637)
Total comprehensive income for the year	**0**	**(1,565,624)**	**(1,498,736)**	**55,211,805**	**52,147,445**	**2,494,879**	**54,642,323**
Transactions with Shareholders	**0**	**0**	**47,710,322**	**(47,710,322)**	**(0)**	**0**	**(0)**
Other changes	**0**	**(12,343,697)**	**(9,452,013)**	**0**	**(21,795,710)**	**(1,494,507)**	**(23,290,217)**
Balance as of 31.12.2018	**31,875,000**	**497,264,761**	**26,763,190**	**55,211,805**	**611,114,756**	**4,709,455**	**615,824,211**

CONSOLIDATED STATEMENT OF CASH FLOWS

Descrizione	Note	31.12.2018	31.12.2017
		(in Euros)	
Revenues from the sales of products /services—third parties		1,234,871,139	1,215,443,878
Revenues from the sales of products /services—Group		102,507,769	76,981,305
Purchase for goods and services—third parties		(508,829,928)	(492,090,156)
Purchase for goods and services—Group		(102,507,769)	(76,981,305)
Personnel costs		(585,361,537)	(537,568,020)
Interest received from operating activities		416,533	252,443
Interest paid for operating activities		(409,353)	(391,104)
Exchange differences		(21,337)	(80,218)
Income tax payments and reimbursements		(48,322,457)	(96,999,903)
A) Total cash flow from operating activities		**92,343,061**	**88,566,920**
Sale of tangible fixed assets		157,006	236,062
Purchase of tangible fixed assets		(8,601,478)	(7,973,608)
Sale of intangible fixed assets		0	945
Purchase of intangible fixed assets		(2,543,760)	(3,136,538)
Purchase of investments in subsidiaries	*1.3*	(13,030,464)	(81,280,003)
Sale of investments in subsidiaries		246,843	0
Purchase of business unit		(1,156,629)	(2,394,406)
Sale of business unit		0	90,000
Purchase of other investments and securities		(859,889)	(498,126)
Sale of other investments and securities		524,000	20,431
Dividends received		141,458	1,590,246
B) Total cash flow from investing activities		**(25,122,913)**	**(93,344,997)**
New borrowings		63,408,184	299,125,745
Repayment of new borrowings		(155,274,977)	(392,901,810)
Sale of treasury shares		0	416,910
Dividends paid		(2,087,641)	(2,300,218)
Change in consolidation scope		11,250	0
Interest received for financing activities		208,574	38,781
Interest paid for financing activities		(3,000,592)	(4,815,820)
C) Total cash flow from financing activities		**(96,735,204)**	**(100,436,412)**
D) = (A+B+C) change in cash and cash equivalents		**(29,515,056)**	**(105,214,489)**
E) Cash and cash equivalents at beginning of year		**207,017,853**	**312,232,343**
F) = (D+E) cash and cash equivalents at end of year		**177,502,797**	**207,017,853**

Reconciliation of cash and cash equivalents	31.12.2018	31.12.2017
	(in Euros)	
Net cash and cash equivalents at beginning of year	**207,017,853**	**312,232,343**
Cash and cash equivalents	212,249,184	316,553,394
Bank overdrafts	(5,231,331)	(4,321,051)
Net cash and cash equivalents at year end	**177,502,797**	**207,017,853**
Cash and cash equivalents	181,687,253	212,249,184
Bank overdrafts	(4,184,456)	(5,231,331)

Notes to the Consolidated Financial Statements

1 General information

Engineering Ingegneria Informatica S.p.A. (hereinafter the "Company" or "Engineering") and its subsidiaries (hereinafter "Engineering Group" or the "Group") is the leading domestic provider of integrated ICT services, products and consultancy. Established in Padua on June 6, 1980.

With approximately 10,700 employees, around 50 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approx. 15% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont St. Martin (Aosta), Turin, Vicenza and Milan, which manages approx. 300 clients with an infrastructure corresponding to the highest technological, qualitative and security standards.

The Engineering market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (Healthcare, local and central Public Administration and Defence) to which SMEs and small municipalities have now been added, for which dedicated offers are targeted in the areas of ERP-CRM and tax collection, respectively.

The Group plays a leadership role in software research, coordinating a number of national and international projects through a network of scientific partners and universities across Europe. It develops Cloud Computing solutions and operates in the Open Source community.

The Group operates in Software and IT Services, with a market share of around 9% in Italy and a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OverIT) and mobile platforms for Telco & Utilities.

As a result of its business model, the Group creates tangible value in its various areas of operation, as it can meet all the needs of its existing and potential clients and define, plan and develop concretely efficient and effective IT strategies.

At the preparation date of these consolidated financial statements, Mic Newco S.p.A. was the sole shareholder of Engineering Ingegneria Informatica S.p.A.'s equity investments. Neither Mic Newco S.p.A., nor its direct subsidiary Mic Holdco S.r.l., exercise direction and coordination activities with respect of Engineering Ingegneria Informatica S.p.A

These consolidated financial statements as of December 31, 2018, were approved by the Board of Directors of Engineering Ingegneria Informatica S.p.A. on March 15, 2019.

1.1 SIGNIFICANT OPERATIONS

Group corporate reorganization

The merger of two wholly owned companies into Engineering Ingegneria Informatica S.p.A. was completed in 2018:

- Infinity Technology Solutions S.p.A., effective as from January 1, 2018;
- Infogroup—Informatica e Servizi Telematici S.p.A., effective from May 1, 2018.

The reverse merger of SedApta US Inc. into IT Soft US Inc. was completed on January 1, 2018. Following the above-mentioned mergers, the tax and accounting effects on the financial statements of Engineering Ingegneria Informatica S.p.A. were dated back as from January 1, 2018.

On May 17, 2018 the entire share capital of the company INF.OR. S.r.l. was acquired by the subsidiary Municipia S.p.A..

On October 3, 2018, INF.OR. S.r.l. was merged by incorporation into Municipia S.p.A The accounting and tax effects of the merger into Municipia S.p.A. financial statements, however, are from May 17, 2018, the company's acquisition date.

The establishment of the company Engineering Software Labs s.r.o., wholly owned by the subsidiary Bekast IT Consulting GmbH, was registered in October.

1 General information (Continued)

As regards corporate reorganization, the transactions described had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the transaction.

1.2 ACQUISITIONS AND SALES FOR THE YEAR

Acquisitions for the year

Acquisition of control of Icraft GmbH

On June 1, 2018 (hereinafter also "acquisition date"), Engineerng ITS A.G. (company 51% owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire shareholding of the company Icraft GmbH, with registered office in Hamburg, Germany. Therefore, the Group's interests on this acquisition is equal to 51%.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

The following table shows the total book values, at acquisition date, of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Provisional fair value
	(in Euros)
Property, plant and equipment	35,402
Intangible assets	500
Other non-current assets	6,900
Trade assets	374,781
Cash and cash equivalents	240,825
Other current assets	85
Other current liabilities	378,893
Provisional fair value of assets acquired	**279,600**
Shareholding acquired	100%
Purchase consideration	2,297,418
Goodwill	**2,017,818**
Cash and cash equivalents	(240,825)
Net outflow of cash resulting from the acquisition	**2,056,593**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement, in fact, sets out that the earn out shall not exceed Euro 0.1 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.1 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.4 million.

The temporary fair value of net assets acquired amounted to Euro 0.3 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenues and profit in the consolidated financial statements of the Engineering Ingegneria Informatica Group, equal to Euro 1.3 million and Euro 0.1 million, respectively.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 2 million and Euro 0.2 million, respectively.

1 General information (Continued)

Acquisition of control of Icode GmbH

On June 1, 2018 (hereinafter also "acquisition date"), Engineerng ITS A.G. (51% of this company is owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire share capital of Icode GmbH, with registered office in Berlin, Germany. Therefore, the Group's interests on this acquisition is equal to 51%.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

The following table shows the total book values, at acquisition date, of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Provisional fair value
	(in Euros)
Property, plant and equipment	364
Intangible assets	3,300
Other non-current assets	15,000
Trade assets	346,207
Cash and cash equivalents	179,379
Other current assets	307
Other non-current liabilities	141,908
Other current liabilities	91,202
Provisional fair value of assets acquired	**311,447**
Shareholding acquired	100%
Purchase consideration	1,008,988
Goodwill	**697,541**
Cash and cash equivalents	(179,379)
Net outflow of cash resulting from the acquisition	**829,609**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement sets out that the earn out shall not exceed Euro 0.1 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.1 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.4 million.

The temporary fair value of net assets acquired amounted to Euro 0.3 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenues and profit in the consolidated financial statements of the Engineering Ingegneria Informatica Group, equal to Euro 1.5 million and Euro 0.5 million, respectively.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 2 million and Euro 0.7 million, respectively.

Acquisition of control of EuroAMS d.o.o.

On March 8, 2018 (hereinafter also "acquisition date"), Engineering Balkan d.o.o. (wholly controlled by Engineering Ingegneria Informatica S.p.A.) acquired the entire share capital of EuroAMS d.o.o. from EuroDesk d.o.o..

1 General information (Continued)

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

The following table shows the total book values, at acquisition date, of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Provisional fair value
	(in Euros)
Property, plant and equipment	28,231
Trade assets	53,314
Cash and cash equivalents	1
Other current liabilities	81,546
Provisional fair value of assets acquired	**1**
Shareholding acquired	100%
Purchase consideration	800,000
Goodwill	**799,999**
Cash and cash equivalents	(1)
Net outflow of cash resulting from the acquisition	**799,999**

This business combination envisages a cost adjustment of the combination in relation to future events. The agreement, in fact, sets out that the earn out shall not exceed Euro 0.4 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 0.4 million, which is the estimated amounts to be paid upon maturity based on the above-mentioned agreements.

The temporary fair value of receivables acquired amounted to Euro 0.05 million.

The temporary fair value of assets acquired amounted to Euro 1. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The integral consolidation, at the acquisition date, of the business combination involved the recording of revenues in the consolidated financial statements of the Engineering Group, amounting to Euro 0.1 million.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues of the Engineering Group would have been higher by Euro 0.1 million.

Acquisition of control of LG-NET S.r.l.

On July 10, 2018 (hereinafter also "acquisition date"), the wholly controlled company Municipia S.p.A. acquired 76% of the share capital of the company LG-NET S.r.l 13.47 % of the company's share capital was already owned by the Parent Company Engineering Ingegneria Informatica S.p.A Therefore, the Group's interests on this acquisition is equal to 89.47%.

The company LG-NET S.r.l., established in 2000, is an IT company, with registered office in Rome and specialized in the supply and organisation of IT Systems addressed to the Public Administration.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

1 General information (Continued)

Taking account that the Company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so-called partial goodwill method).

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Provisional fair value
	(in Euros)
Property, plant and equipment	2,227
Other non-current assets	3,237
Trade assets	19,256
Cash and cash equivalents	111,663
Other current assets	4,185
Other non-current liabilities	114,530
Other current liabilities	37,142
Provisional fair value of assets acquired	**(11,104)**
Shareholding acquired	89,5%
Purchase consideration	175,000
Shares held by non-controlling interests	10,5%
Non-controlling interests	(1,169)
Goodwill	**184,935**
Cash and cash equivalents	(111,663)
Net outflow of cash resulting from the acquisition	**63,337**

The temporary fair value of net assets acquired, including the non-controlling interests previously owned, amounted to Euro 0.01 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. Based on current measurements, effects might occur on the following main items: intangible assets, deferred tax assets and liabilities and related economic effects.

The temporary fair value of receivables acquired amounted to Euro 0.02 million.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of consolidated revenues for the Engineering Group, equal to Euro 0.05 million.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues of the Engineering Group would have been higher by Euro 0.2 million and the consolidated net profit lower by Euro 0.02 million.

INF.OR. S.r.l.

On May 17, 2018 the entire share capital of the company INF.OR. S.r.l. was acquired by the subsidiary Municipia S.p.A On October 3, 2018, INF.OR. S.r.l. was merged by incorporation into Municipia S.p.A The accounting and tax effects of the merger, however, are from May 17, 2018, the company's acquisition date.

1 General information (Continued)

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	61,728		61,728
Intangible assets	1,536	3,415,409	3,416,945
Other non-current assets	543,240		543,240
Trade assets	1,149,707		1,149,707
Cash and cash equivalents	419,524		419,524
Other current assets	99,975		99,975
Other non-current liabilities	1,012,143	952,900	1,965,043
Other current liabilities	426,722		426,722
Total net assets acquired	**836,844**	**2,462,509**	**3,299,353**
Non-controlling interest			0
Total net assets acquired by the Group			3,299,353
Total amount			**6,000,000**
Goodwill			**2,700,647**
Cash and cash equivalents			(419,524)
Net outflow of cash resulting from the acquisition			**5,580,476**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 2.4 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 3.4 million (including deferred taxes for around Euro 0.9 million).

The fair value of net assets, acquired by the Group, amounted to Euro 3.3 million, against a consideration for the acquisition of Euro 6 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 2.7 million.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2018, the 2018 consolidated revenues and net profit of the Engineering Group would have been higher by Euro 1.1 million and Euro 0.1 million, respectively.

Completion of accounting activities connected with acquisitions

Fair Dynamics Consulting S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. acquired 100% of the company Fair Dynamics Consulting S.r.l

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Fair Dynamics Consulting S.r.l. by the Parent Company. It is noted that the transaction under evaluation was accounted for, in the previous financial statements and pursuant to IFRS 3, by using the acquisition method, which involved the temporary recognition of fair values.

1 General information (Continued)

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	817		817
Intangible assets	0	694,262	694,262
Other non-current assets	3,544		3,544
Trade assets	123,573		123,573
Cash and cash equivalents	85,659		85,659
Other current assets	41,302		41,302
Other non-current liabilities	14,431	193,699	208,130
Current borrowings	58,946		58,946
Other current liabilities	118,712		118,712
Total net assets acquired	**62,806**	**500,563**	**563,369**
Non-controlling interest			0
Total net assets acquired by the Group			563,369
Total amount			**600,000**
Difference in income statement			**36,631**
Goodwill			**0**
Cash and cash equivalents			(85,659)
Net outflow of cash resulting from the acquisition			**514,341**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to Euro 0.5 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 0.7 million (including deferred taxes for around Euro 0.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 37 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Sofiter Tech S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. subscribed a reserved capital increase on the occasion of the Extraordinary Shareholders' Meeting of the company Sofiter Tech S.r.l With this transaction, Engineering Ingegneria Informatica S.p.A. held control with 51% of the aforesaid company's share capital.

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Sofiter Tech S.r.l. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

1 General information (Continued)

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	1,869		1,869
Intangible assets	1,879	1,864,441	1,866,320
Other non-current assets	0		0
Trade assets	3,104,930		3,104,930
Cash and cash equivalents	978,288		978,288
Other current assets	13,768		13,768
Other non-current liabilities	7,764	520,309	528,073
Other current liabilities	2,981,382		2,981,382
Total net assets acquired	**1,111,588**	**1,344,132**	**2,455,720**
Non-controlling interest			1,203,303
Total net assets acquired by the Group			1,252,417
Total amount			**1,297,959**
Difference in income statement			**45,605**
Goodwill			**0**
Cash and cash equivalents			(978,288)
Net outflow of cash resulting from the acquisition			**319,671**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.3 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 1.8 million (including deferred taxes for around Euro 0.5 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.7 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 46 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Business Unit by SP Sapiens S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. purchased a business unit from the company SP Sapiens S.r.l

1 General information (Continued)

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values which saw no changes compared to the above-mentioned provisional values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Non-current liabilities	179,102	0	179,102
Current liabilities	171,097	0	171,097
Total net assets acquired	**(350,199)**	**0**	**(350,199)**
Non-controlling interest			0
Total net assets acquired by the Group			(350,199)
Total amount			**49,801**
Difference in income statement			**400,000**
Goodwill			**0**
Cash and cash equivalents			0
Net outflow of cash resulting from the acquisition			**49,801**

Therefore, while completing the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, no net value of fair value adjustments was reported.

The initial provisional accounting of the business combination, made the previous year, resulted in the allocation of Euro 0.4 million as goodwill. Based on the latest forecasts of the corporate Management, this amount as of December 31, 2018, was entirely recognised in the income statement.

Sogeit Solutions S.r.l.

In the previous year, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 60% of the company Sogeit Solution S.r.l..

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Sogeit Solutions S.r.l. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

1 General information (Continued)

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	261,370		261,370
Intangible assets	62,975	4,010,247	4,073,222
Other non-current assets	64,190		64,190
Trade assets	3,972,761		3,972,761
Cash and cash equivalents	970,585		970,585
Other current assets	2,215		2,215
Non-current borrowings	50,000		50,000
Other non-current liabilities	112,983	1,118,858	1,231,841
Current borrowings	327,753		327,753
Other current liabilities	3,547,533		3,547,533
Total net assets acquired	**1,295,827**	**2,891,388**	**4,187,215**
Non-controlling interest			1,674,886
Total net assets acquired by the Group			2,512,329
Total amount			**6,077,502**
Goodwill			**3,565,173**
Cash and cash equivalents			(970,585)
Net outflow of cash resulting from the acquisition			**5,106,917**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 2.8 million, at the acquisition date and against the recognition, under item intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 4.0 million (including deferred taxes for around Euro 1.1 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 5.3 million as goodwill. Net of Euro 1.674 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 2.512 million, against a consideration for the acquisition of Euro 6.077 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 3.565 million.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Bekast IT Consulting GmbH

In the previous year, Engineering ITS A.G. (company 51% owned by Engineering Ingegneria Informatica S.p.A.) acquired the entire shareholding of the company Bekast IT Consulting Gmbh, with registered office in Wolfsburg, Germany. Therefore, the Group's interests on this acquisition is equal to 51%.

1 General information (Continued)

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Bekast It Consulting GmbH by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	142,133		142,133
Intangible assets	4,150	779,000	783,150
Other non-current assets	48,099		48,099
Trade assets	952,041		952,041
Cash and cash equivalents	(201,949)		(201,949)
Other current assets	1,499		1,499
Other non-current liabilities		206,000	206,000
Other current liabilities	1,083,506		1,083,506
Total net assets acquired	**(137,533)**	**573,000**	**435,467**
Non-controlling interest			213,379
Total net assets acquired by the Group			222,088
Total amount			**663,000**
Goodwill			**440,912**
Cash and cash equivalents			201,949
Net outflow of cash resulting from the acquisition			**864,949**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 0.6 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 0.8 million (including deferred taxes for around Euro 0.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 0.7 million as goodwill. Net of Euro 0.213 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 0.222 million, against a consideration for the acquisition of Euro 0.663 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 0.440 million.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

IT Soft US Inc.

In the previous year, Engineering Ingegneria Informatica S.p.A. wholly acquired the company SedApta US Inc., with registered office in Dover, Delaware, which, in its turn, controls 66% of the company IT Soft US Inc., with registered office in Chicago, Illinois.

1 General information (Continued)

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of SedApta US Inc. and IT Soft US Inc. by the Parent Company. It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Intangible assets		33,211,770	33,211,770
Other non-current assets	441,970		441,970
Trade assets	2,723,064		2,723,064
Cash and cash equivalents	2,780,487		2,780,487
Other current assets	292,380		292,380
Other non-current liabilities		9,266,085	9,266,085
Current borrowings	92,985		92,985
Other current liabilities	809,928		809,928
Total net assets acquired	**5,334,988**	**23,945,685**	**29,280,673**
Non-controlling interest			9,654,474
Total net assets acquired by the Group			19,626,199
Total amount			**20,424,146**
Goodwill			**797,947**
Cash and cash equivalents			(2,780,487)
Net outflow of cash resulting from the acquisition			**17,643,659**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 23.9 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 33.2 million (including deferred taxes for around Euro 9.2 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 16.6 million as goodwill. Net of Euro 9.654 million pertaining to minority shareholders of the net fair values identified, the fair value of net assets, acquired by the Group, amounted to Euro 19.626 million, against a consideration for the acquisition of Euro 20.424 million, which involves the recognition of a goodwill (therefore recognised only for the portion pertaining to the Group), equal to Euro 0.798 million.

As described in more detail in Note 4.4, the above-mentioned goodwill was tested for impairment, with reference to the date of December 31, 2018, as required by IAS 36, which confirmed its full recoverability.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

1 General information (Continued)

Pyxis S.r.l.

In the previous year, the closing related to the acquisition of Pyxis S.r.l. was carried out. The Engineering Group acquired 100% of the share capital through its subsidiary Engineering 365 S.r.l. (former MHT S.r.l.). For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Pyxis S.r.l. by the subsidiary Engineering 365 S.r.l..

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	13,840		13,840
Intangible assets	12,348	1,447,430	1,459,778
Other non-current assets	18,021		18,021
Trade assets	927,953		927,953
Cash and cash equivalents	684,922		684,922
Other current assets	36,465		36,465
Other non-current liabilities	70,975	403,832	474,807
Other current liabilities	800,241		800,241
Total net assets acquired	**822,333**	**1,043,598**	**1,865,931**
Non-controlling interest			0
Total net assets acquired by the Group			1,865,931
Total amount			**1,877,711**
Difference in income statement			**11,780**
Goodwill			**0**
Cash and cash equivalents			(684,922)
Net outflow of cash resulting from the acquisition			**1,192,789**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.0 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 1.4 million (including deferred taxes for around Euro 0.4 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 1.0 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 12 thousand, was recognised in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Infogroup S.p.A.

In the previous year, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Infogroup S.p.A Moreover, on May 1, 2018, the merger by incorporation of the company Infogroup S.p.A. into Engineering Ingegneria Informatica S.p.A. was completed. Given its reorganization nature, this

1 General information (Continued)

transaction had no accounting impact on the consolidated financial statements of the Engineering Group in terms of value of assets and liabilities of the companies object of the merger.

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Infogroup S.p.A. by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	2,747,292		2,747,292
Intangible assets	595,336	65,776,704	66,372,040
Other non-current assets	2,063,978		2,063,978
Trade assets	29,770,667		29,770,667
Cash and cash equivalents	7,799,729		7,799,729
Other current assets	760,034		760,034
Other non-current liabilities	5,314,155	18,351,701	23,665,856
Other current liabilities	24,492,541		24,492,541
Total net assets acquired	**13,930,341**	**47,425,003**	**61,355,344**
Non-controlling interest			0
Total net assets acquired by the Group			61,355,344
Total amount			**61,400,000**
Difference in income statement			**44,656**
Goodwill			**0**
Cash and cash equivalents			(7,799,729)
Net outflow of cash resulting from the acquisition			**53,600,271**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 47.4 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 65.7 million (including deferred taxes for around Euro 18.3 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 47.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 45 thousand, was accounted for in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

Infinity Technology Solutions S.p.A.

In the previous year, Engineering Ingegneria Informatica S.p.A. wholly acquired the company Infinity Technology Solutions S.p.A, with operating office in Genoa. Moreover, on May 1, 2018, the merger by incorporation of the company Infinity Technology Solutions S.p.A. into Engineering Ingegneria Informatica

1 General information (Continued)

S.p.A. was completed. Given its reorganization nature, this transaction had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the merger by incorporation.

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair values of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Infinity Technology Solutions S.p.A. by the Parent Company.

The following table shows the total book values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair values.

Net assets acquired	Book value	Fair Value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	32,306		32,306
Intangible assets	38,958	2,095,723	2,134,681
Other non-current assets	56,113		56,113
Trade assets	4,381,545		4,381,545
Cash and cash equivalents	316,904		316,904
Other current assets	467,208		467,208
Non-current borrowings	117,639		117,639
Other non-current liabilities	211,406	584,706	796,112
Current borrowings	708,356		708,356
Other current liabilities	2,284,033		2,284,033
Total net assets acquired	**1,971,600**	**1,511,017**	**3,482,617**
Non-controlling interest			0
Total net assets acquired by the Group			3,482,617
Total amount			**3,488,209**
Difference in income statement			**5,593**
Goodwill			**0**
Cash and cash equivalents			(316,904)
Net outflow of cash resulting from the acquisition			**3,171,305**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to approx. Euro 1.5 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 2 million (including deferred taxes for around Euro 0.6 million).

The above-mentioned recognitions also reflect a change compared to the initial provisional accounting of the business combination, made the previous year, which resulted in the allocation of Euro 1.5 million as goodwill. The residual value, equal to the difference between purchase price and final fair value of assets and liabilities, equal to around Euro 6 thousand, was accounted for in the income statement.

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance-sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2017.

1.3 PURCHASE OF INVESTMENTS IN SUBSIDIARIES

During the year 2018, the Group paid the amounts due for the acquisition of control of the following companies and business units.

1 General information (Continued)

The following table shows the breakdown of the main disbursements of cash and cash equivalents acquired:

31.12.2018	Icode GmbH	Icraft GmbH	Bekast IT Consulting GmbH	Web Result S.r.l.	IT Soft US Inc.	INF.OR. S.r.l.	LG-NET S.r.l.	Engineering Software Lab d.o.o.	EUROAMS d.o.o.	Total
					(in Euros)					
Cash outlays that led to control (A)	1,008,988	2,297,418	847,528	770,000	4,481,458	4,000,000	158,571	18,915	398,978	13,981,856
Acquired cash and cash equivalents (B)	(179,379)	(240,825)	0	0	0	(419,524)	(111,663)		(1)	(951,392)
Cash flow to acquire controlling interest, net of cash and cash equivalents D = A + B	**829,609**	**2,056,593**	**847,528**	**770,000**	**4,481,458**	**3,580,476**	**46,908**	**18,915**	**398,977**	**13,030,464**

1.4 HYPERINFLATION IN ARGENTINA

In Argentina, following a long period of observation of inflation rates and other indicators, a consensus was reached at a global level regarding the occurrence of the conditions that determine the presence of hyperinflation pursuant to the IFRS International Financial Reporting Standards. As a consequence, as from July 1, 2018, all companies operating in Argentina are bound to apply the IAS 29 “Financial Reporting in Hyperinflationary economies” to their financial reporting.

With reference to the Group, the consolidated financial results as of December 31, 2018 included the effects resulting from the application of the above-mentioned accounting standard, with effect as from January 1, 2018.

The Group disclosed the consolidated financial figures in Euro and no redetermination of amounts disclosed in 2017 was required. Consistently with provisions set out by the IAS 29, the redetermination of the financial statements amounts generally entailed the following:

- as regards the income statement, costs and revenues were written up by applying the change in the general consumer price index, in order to reflect the loss of purchasing power of the local currency as of December 31, 2018. For the purposes of the conversion in Euro of the income statement, redetermined in this way, the punctual change as of December 31, 2018 was consistently applied instead of the average exchange rate for the period. With reference to net consolidated sales for the year, the effect resulting from the application of the standard led to a negative change of Euro 247.2 thousand for 2018;
- as regards the statement of financial position, the monetary elements were not redetermined insomuch as they were already expressed in the current measurement unit at year end. Non-monetary assets and liabilities are instead written-up to reflect the loss of the purchase power of local currency from the date in which assets and liabilities were initially recorded until year end;
- the effect determined on the net monetary position, for the portion generated over the twelve months of 2018 (total income of Euro 302.9 thousand) was charged to the income statement, under net financial income (charges), while the effects of the first-time application of the standard, as of January 1, 2018, were recorded directly as shareholders’ equity components.

2 Form, contents and accounting standards

These consolidated financial statements as of December 31, 2018 have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of July 19, 2002. The IFRS Standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee, previously named “Standard Interpretations Committee” (SIC). The IFRS standards have been applied consistently with the periods disclosed herein and,

2 Form, contents and accounting standards (Continued)

taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

These consolidated financial statements are expressed in Euro and, in compliance with IAS 1 "Presentation of Financial Statements" include the consolidated statement of financial position, the consolidated income statement and the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related Explanatory Notes.

The standards utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for "IFRS 9—Financial Instruments" and "IFRS 15—Revenues from contracts with customers", as well as other accounting standards, amendments and interpretations applicable for accounting periods beginning on January 1, 2018, as indicated in paragraph 4.29. Pursuant to the IFRS 9—Financial Instruments and IFRS 15—Revenues from contracts with customers, the Group opted to disclose the effect, related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, without remeasuring the balance of items of compared previous years. For further details on the impact resulting from the application of these standards, reference is made to the following Note 4.29.

The consolidation was carried out under the line-by-line method, including the non-controlling interests reported in the relevant shareholders' equity and income statement accounts.

The Group companies adopted the same accounting period as the Parent Company and the standards utilised are the same for the preparation as the last annual financial statements and were applied in a uniform manner.

In the statement of financial position, assets and liabilities are classified according to the "current/non-current" criterion with separation of assets and liabilities held-for-sale.

Current assets are those held for sale or used in the normal business operating cycle or in the twelve months following the year-end.

Current liabilities are expected to be settled in the normal operating cycle or within 12 months following the year-end. The income statement is classified according to the nature of the costs while the cash flow statement uses the direct method.

The transactions with related parties concern subsidiaries, associates and Directors and Executives with strategic responsibilities.

The financial statements are accompanied by the Directors' Report prepared by the Board of Directors in compliance with Article 2428 of the Italian Civil Code, which contains more detailed information on Group operations and significant events after the year-end.

For each item of the statements, the corresponding figure of the previous year is disclosed for comparison purposes. These comparative figures were restated, with respect to those already disclosed in the financial statements ended December 31, 2017, only for items recognised within the completion process of accounting activities connected to the acquisition of control of acquired companies (as provided for by IFRS 3), as more widely shown in paragraph 1.2 of these Explanatory Notes.

USE OF ESTIMATES AND MEASUREMENTS

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources.

However, actual results could differ from those estimates. Estimates and assumptions are periodically revised and changes are immediately reflected in the income statement.

The items that are mostly influenced by estimates are the calculation of amortisation/depreciation, impairment tests on assets (including measurement of receivables), provisions for allocations, employee benefits, fair value of borrowings, deferred tax assets and liabilities, as well as customer contract assets. For a better

2 Form, contents and accounting standards (Continued)

understanding of the financial statements, the main estimates utilised in the drawing up of the financial statements are shown hereunder and involve the use of subjective opinions, assumptions and estimates related to issues that are uncertain by nature. The changes in conditions underlying opinions and assumptions might have a significant impact on the following financial years.

Impairment of assets (Goodwill Euro 66 million and Trademark Euro 453 million)

As more widely shown in paragraph 7 of these Explanatory Notes, to calculate the value in use of Cash Generating Units, the Group considered, in reference of the explicit period, the expected performance, included in the 2019 budget and, for the following years, forecasts included in the 2020-2022 multiannual plan. The budget and multiannual plan were updated by the management on August 3, 2017. No impairment was reported in relation to the impairment test performed based of the above forecasts.

Purchase Price Allocation (IFRS 3)

As described in paragraph "Completion of accounting activities connected to acquisitions", the recognition of business combination transactions implies the allocation of the difference between purchase cost and net book value to assets and liabilities of the company acquired.

As regards most of assets and liabilities, the allocation of the difference is performed by recognising assets and liabilities at their fair value. The portion that is not allocated, if positive, is recorded under goodwill; if negative, it is charged to income statement. In allocating the amounts, the Group relies on information available and, for the most important business combinations, on external expertises.

Share-based payments (Stock Option Plan—SOP)

The fair value of share-based payments is calculated based on the fair value of the Company's shares, which are not listed on an active market. Therefore, the Company used measurement techniques together with observable and not observable market parameters, which take also account of the current business plan of the Company. Given the level of subjectivity and the number of assumptions required to perform the measurement, changes in results and parameters used, together with the context in which the Company operates, might have a significant impact on fair value estimates of the Company's shares.

Prepaid taxes (Euro 23.2 million)

As of December 31, 2018, prepaid taxes are recorded in relation to tax losses for the current year and previous years insofar as there is a probable future taxable income for which the tax liabilities can be used. This probability is inferable also from the estimates included in the 2019-2022 multiannual plan.

Receivables from Sicilia Digitale S.p.A. (Euro 97.3 million)

As more thoroughly described in paragraph 14 herein, receivables from customers include the exposure as of December 31, 2018, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), equal to Euro 135,980,883 (gross of the bad debt provision amounting to Euro 11,568,767 and provision for interest in arrears amounting to Euro 41,680,773), in addition to Euro 14,526,757 of construction contracts, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.r.l. in liquidation ("SISEV" or "Venture") on May 21, 2007 and expired on December 22, 2013.

Given the correctness of credit lines and the correct execution of services, after assessing that the expertise drawn up by the experts and concerning the writ of summons to obtain the payment of receivables amounting to around Euro 79,675 thousand, is materially omitting and misstating, the Directors, supported by the opinion of the legal advisers, and after performing the adequate checks, deem that SISEV's amount receivables from Sicilia Digitale S.p.A. are owed. In any case, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, in its financial statements the subsidiary

2 Form, contents and accounting standards (Continued)

SISEV recognised the interest set out by law pertaining to the year under evaluation (around Euro 7.8 million) in the income statement and under item Financial income, in addition to the amount already recognised until December 31, 2017 (for a total amount of around Euro 41.7 million) and allocated an amount of around Euro 7.8 million to the bad debt provision, in addition to the total amount of around Euro 53.2 million already allocated to the bad debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable. The Directors stated that this decision results from an estimate made after a careful evaluation of all information currently available.

Fair value of options on non-controlling interests (Euro 28.7 million)

The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on the operating cash flows method discounted by using the plan of the subsidiary involved. Prices for the year are determined based on the agreements included in the option agreements signed by the Group.

3 Consolidation scope and principles

3.1 SUBSIDIARIES

The subsidiaries are consolidated from the date on which the Group acquires control and deconsolidated from the date in which control is lost. Control is defined as the ability to directly or indirectly determine the financial and management policies and benefit from their implementation.

Consistently with provisions set out by IFRS 10, a company is controlled with the presence of the following three elements: (a) power on the entity acquired/established; (b) exposure, or rights, to variable returns deriving from involvement with the same; (c) capacity to utilise the power to influence the amount of these returns.

The accounts are consolidated under the line-by-line method, therefore including the entire amount of assets and liabilities and all costs and revenues nevertheless the percentage of share capital held. The book value of consolidated investments is therefore derecognised against the relative shareholders' equity.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition until the date of sale. The operations, the balances as well as the unrealised profits and losses on inter-group transactions are derecognised.

The shares of shareholders' equity and of the non-controlling interests result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

3.2 ASSOCIATES

Associates are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

The acquisition was recognised under the acquisition method described in the following point 4.6. After acquisition, investments in associates are recorded under the equity method or rather recording the Group share of the result and of the movements in the reserves respectively to the income statement and shareholders' equity. Non-realised profits and losses on inter-group transactions are derecognised for the relative share.

When the Group share of losses in an associate is equal to or greater than the value of the investment held, the Group does not recognise additional losses unless an obligation to recapitalise exists or if payments have been made on behalf of the associate.

3.3 JOINT ARRANGEMENTS

Pursuant to provisions set forth by IFRS 11, investments in joint ventures are recorded under the equity method applied as described in the previous note. A joint venture is a joint operation where parties have rights on contractually agreed assets and obligations for agreed liabilities. As regards joint operations, the standard envisages that the proportionate assets, liabilities, costs and revenues, resulting from joint operations, are entered directly in the consolidated (and separate) financial statements.

3 Consolidation scope and principles (Continued)

3.4 CONSOLIDATION SCOPE

The consolidated financial statements include the financial statements of the Parent Company and those companies in which the Parent Company holds control based on requirements set out by IFRS 10. The financial statements of the Group's companies are prepared as of the same date and refer to a financial year of equal length.

The consolidated companies as of December 31, 2018 (the details are shown in the previous paragraph of the Directors' Report) are listed hereunder:

Company	Registered office	Share capital	Percentage of share capital held		
			Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	1,000,000 Euro	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euro	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euro	100.00%		100.00%
LG-NET S.r.l.	Rome	26,500 Euro	13.50%		76.00%
Engineering International Inc.	Delaware (Usa)	10 Usd	100.00%		100.00%
Engineering International Belgium S.A.	Brussels	61,500 Euro	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euro		100.00%	100.00%
Engineering D.HUB S.p.A.	Pont-Saint-Martin	2,000,000 Euro	100.00%		100.00%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
Engineering 365 S.r.l. (former MHT S.r.l.)	Lancenigo	52,000 Euro	100.00%		100.00%
Engineering Software Lab d.o.o.	Belgrade	452,000 Rsd		100.00%	100.00%
EUROAMS d.o.o.	Belgrade	100 Rsd		100.00%	100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
IT Soft US Inc.	Chicago	260,800 Usd		80.50%	80.50%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
OverIT International Inc.	Miami	50,000 Usd		80.00%	80.00%
OverIT GmbH	Munich	25,000 Euro		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	100.00%		100.00%
Sicilia e-Servizi Venture S.c.a.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	68.50%		68.50%
Sofiter Tech S.r.l.	Rome	204,082 Euro	51.00%		51.00%
Engineering ITS AG	Berlin	50,000 Euro	51.00%		51.00%
DST Consulting GmbH	Dusseldorf	25,000 Euro		51.00%	51.00%
EMDS GmbH	Stuttgart	300,000 Euro		51.00%	51.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		51.00%	51.00%
Bekast IT Consulting GmbH	Wolfsburg (Germany)	115,000 Euro		51.00%	51.00%
Engineering Software Labs s.r.o.	Prague	3,887 Euro		51.00%	51.00%
Icraft GmbH	Hamburg	25,000 Euro		51.00%	51.00%
Icode GmbH	Berlin	50,000 Euro		51.00%	51.00%
KeyVolution GmbH	Wolfsburg (Germany)	25,000 Euro		51.00%	51.00%

Changes in the consolidation scope compared to December 31, 2017 relate to transactions carried out during the period as summarised below:

- on March 8, 2018, Engineering Balkan d.o.o. acquired from EuroDesk d.o.o. the whole share capital of EuroAmsd.o.o., a company operating in the implementation of ERP solutions;
- on May 17, 2018, Municipia S.p.A. signed the purchase agreement of the entire share capital of INF.OR. S.r.l., with registered office in Arezzo, which develops and distributes software for local Public Administrations. The merger of INF.OR. S.r.l. into Municipia S.p.A. was effective on October, 3;

3 Consolidation scope and principles (Continued)

- on June 1, 2018, the subsidiary Engineering ITS AG acquired the entire share capital of the companies Icraft GmbH and Icode GmbH;
- on July 2, 2018, the Parent Company acquired a further 2.48% of the subsidiary Engineering USA Inc.; its equity investment is now 68.48%;
- on July 10, Municipia acquired 76% of LG-NET S.r.l., therefore achieving an investment at Group level of 89.47% (13.47% already owned by the Parent Company);
- on August 2, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired the remaining 9% of the subsidiary WebResults S.r.l.; now the company is entirely owned;
- on August 2, the Parent Company Engineering Ingegneria Informatica S.p.A. acquired 8.5% of the interests of the subsidiary Sogeit Solutions S.r.l.; its equity investment is now 68.5%;
- on September 26, 2018, the company Overit GmbH was established with registered office in Munich, with 84.2% shares of the subsidiary OverIT S.p.A. (80.0% indirect ownership of the Parent Company);
- in October 2018, the establishment of the company Engineering Software Labs s.r.o., with registered office in Prague, was recorded. The company owns the entire equity investment of the subsidiary Bekast IT Consulting GmbH (51.0% indirect ownership of the Parent Company).

In addition to the above-mentioned acquisitions, the following corporate transactions occurred during the year:

- on January 1, 2018, the company Infinity S.p.A., acquired in 2017, was merged into the Parent Company Engineering Ingegneria Informatica S.p.A. with retroactive effect as of January 1, 2018;
- on January 11, 2018, the foreign company SedApta US Inc. was merged into IT Soft US Inc.; both companies were purchased on September 8, 2017;
- on March 6, 2018, the company IT Soft US Inc. changed its brand (or DBA—Doing Business As), from Hyla Soft to Eng.USA;
- on February 14, 2018, the company Infogroup—Informatica e Servizi Telematici S.p.A., acquired in 2017, was merged into the Parent Company Engineering Ingegneria Informatica S.p.A. with retroactive effect on May 1, 2018;
- on July 5, 2018, the Serbian company Engineering Balkan d.o.o., indirectly controlled by Engineering, changed its corporate name into Engineering Software Lab d.o.o

Given their nature, the last transactions described had no accounting effects on the consolidated financial statements of the Engineering Group in terms of assets and liabilities of the companies object of the transaction.

Based on provisions set out by IFRS 12, a summary of the main financial indicators of companies owning significant non-controlling interests is given hereunder.

3 Consolidation scope and principles (Continued)

Company	Minority interests		Profit (loss) held by minority holders		Equity held by minority holders	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
			(in Euros)			
Sicilia e-Servizi Venture S.c.a.r.l.	35.0%	35.0%	(214,487)	(272,377)	(3,602,676)	(3,388,189)
Engineering ITS Holding AG	49.0%	49.0%	454,174	165,819	9,998,711	9,547,941
DST Consulting GmbH	49.0%	49.0%	(1,857)	0	1,379,387	1,377,839
EMDS GmbH	49.0%	49.0%	0	0	299,366	299,366
Engineering Software Labs GmbH	49.0%	49.0%	0	0	11,889	11,889
Sofiter Tech S.r.l.	49.0%	49.0%	478,304	354,467	1,179,544	1,112,386
Bekast IT Consulting GmbH	49.0%	49.0%	274,641	95,115	424,866	150,224
KeyVolution GmbH	49.0%	59.0%	(216)	(1,082)	8,878	4,312
Icraft GmbH	49.0%		103,637		223,393	
Icode GmbH	49.0%		350,662		391,623	
Total			**1,444,858**	**341,942**	**10,314,980**	**9,115,769**

3 Consolidation scope and principles (Continued)

Le informazioni riportate rappresentano i saldi prima delle eliminazioni infragruppo.

Description	SISEV		ITS Holding AG		DST Consulting GmbH		EMDS GmbH		Engineering Software Labs GmbH		Sofiter Tech S.r.l.		Icraft GmbH		Icode GmbH		Bekast IT Consulting GmbH		KeyVolution GmbH	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(in Euros)																			
Non-current assets	0	0	23,697,896	19,592,040	164,683	227,501	54,959	53,848	8,819	3,851	799,858	253,286	36,850		24,630		189,419	189,443	0	0
Current assets	**98,474,720**	**98,613,665**	**7,685,211**	**5,126,649**	**6,617,515**	**5,401,426**	**1,370,237**	**1,559,307**	**719,952**	**477,893**	**4,833,758**	**6,211,503**	**742,681**		**1,174,290**		**1,548,125**	**1,295,598**	**18,118**	**9,123**
Non-current liabilities	328	217,328	1,565,349	1,500,000	0	0	0	0	0	0	16,474	7,056	0		0		0	0	0	0
Current liabilities	108,767,753	108,076,877	9,412,226	3,733,094	3,967,124	2,817,012	814,244	1,002,203	704,509	457,482	3,209,909	4,187,558	323,628		399,689		870,471	1,178,461	0	1,813
Group Shareholders' Equity	(6,690,684)	(6,292,351)	10,406,821	9,937,653	1,435,688	1,434,077	311,585	311,585	12,374	12,374	1,227,689	1,157,789	232,511		407,607		442,207	156,356	9,240	2,997
Minority interest Shareholders' Equity	**(3,602,676)**	**(3,388,189)**	**9,998,711**	**9,547,941**	**1,379,387**	**1,377,839**	**299,366**	**299,366**	**11,889**	**11,889**	**1,179,544**	**1,112,386**	**223,393**		**391,623**		**424,866**	**150,224**	**8,878**	**4,312**
Revenues	3,260	600,551	2,704,232	3,118,596	19,635,515	21,179,012	4,469,565	4,425,580	1,471,481	316,721	8,445,685	8,953,660	1,972,236		2,188,515		5,957,167	1,708,904	101	0
Costs	(616,081)	(1,378,771)	(1,777,346)	(2,780,189)	(19,639,304)	(21,179,012)	(4,469,565)	(4,425,580)	(1,471,481)	(316,721)	(7,469,555)	(8,230,258)	(1,760,732)		(1,472,879)		(5,396,674)	(1,514,791)	(542)	(1,835)
Profit/(loss) for the year	(612,820)	(778,220)	926,886	338,407	(3,789)	0	0	0	0	0	976,131	723,402	211,503		715,636		560,492	194,113	(441)	(1,835)
Group profit/(loss) for the year	(398,333)	(505,843)	472,712	172,587	(1,933)	0	0	0	0	0	497,827	368,935	107,867		364,975		285,851	98,997	(225)	(752)
Profit/(loss) for the year of minority interest	**(214,487)**	**(272,377)**	**454,174**	**165,819**	**(1,857)**	**0**	**0**	**0**	**0**	**0**	**478,304**	**354,467**	**103,637**		**350,662**		**274,641**	**95,115**	**(216)**	**(1,082)**
Cash flow from operating activities	**(25,192)**	**(456,038)**	**259,041**	**(125,900)**	**760,316**	**(21,678)**	**91,830**	**593,811**	**(2,338)**	**(32,895)**	**897,931**	**(113,430)**	**450,848**		**1,089,612**		**998,588**	**(269,646)**	**(2,083)**	**(733)**
Cash flow from investing activities	0	0	(4,169,674)	365,469	(46,939)	(116,090)	(5,177)	(1,540)	117,604	(4,323)	(540,000)	(60,000)	22,243		(20,419)		(51,782)	(4,142)	0	0
Cash flow from financing activities	0	620,000	3,306,873	226,955	(350,000)	(875,883)	(361,046)	(340,154)	0	250,000	(500,000)	882,959	(1,360,703)		(779,171)		(377,007)	610,838	11,250	0
Total Cash flows	**(25,192)**	**163,962**	**(603,759)**	**466,524**	**363,377**	**(1,013,651)**	**(274,393)**	**252,117**	**115,266**	**212,782**	**(142,069)**	**709,529**	**(887,612)**		**290,022**		**569,799**	**337,050**	**9,167**	**(733)**

4 Accounting standards

These consolidated financial statements have been drawn up on an ongoing concern, due to the fact that Directors assessed the absence of financial, management indicators, or other indicators that might show critical issues related to the Group's ability to face its obligations in the foreseeable future. Risks and uncertainties related to the business are described in the sections dedicated to the Directors' Report. The description of how the Group manages financial risks, including liquidity and capital, is included in Note 4.27.

These financial statements were prepared using measurement criteria based on historical cost, with the exception of the measurement at fair value of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.

Where not specified, the significant changes reported in these notes principally relate to the changes in the consolidation scope indicated above.

The accounting policies adopted in the preparation of the present consolidated financial statements are described below.

4.1 Property, plant and equipment

Property, plant and equipment include assets with long-term use held for the production or supply of goods and services, to be leased or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").

Property, plant and equipment are recognised at acquisition cost including any directly attributable costs. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

Land, both with and without civil and industrial buildings, is recorded separately and is not depreciated as it has an indefinite useful life.

Property, plant and equipment are recorded net of the relative accumulated depreciation and any losses in value. The amount to be depreciated is comprised of the carrying amount gross of depreciation and net of write-downs. Given the uniformity of the assets included in the various fixed asset categories, the useful life by category is as follows (except in specific cases):

Category	Useful life
Land	Indefinite
Buildings	33 years
Plant and machinery	3 – 6 years
EDP	3 – 6 years
Furniture, office machinery and equipment	6 – 8 years
Motor vehicles	4 years

Property, plant and equipment are depreciated on a straight line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.

The carrying value of a tangible fixed asset is recognised within the value limits that this asset may recover through use. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Depreciation starts when the asset is available and ready for use.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is derecognised from the financial statements and any loss or gain (calculated as the difference between sale price and the book value) is recorded to the income statement.

4 Accounting standards (Continued)

4.2 LEASING

In the case in which the Group is the lessee

Lease contracts concerning assets in which the Group substantially holds all the risks and benefits from ownership are classified as finance lease. Assets acquired under finance leases are recorded under tangible fixed assets and against the financial payable to the lessor and depreciated according to the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract. Lease contracts in which the lessor retains a significant amount of the risks and benefits deriving from the ownership are instead classified as operating leases; the lease payments are booked in the income statement on a straight-line basis for the whole duration of the contract.

In the case in which the Group is the lessor

For assets leased under a finance lease contract, the current rental amount under the lease is recognised as a financial receivable. The difference between the net book value and the current value of the receivable is recognised to the income statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated in a similar manner to assets owned, with rental instalments recognised on a straight line basis over the duration of the contract.

4.3 INTANGIBLE ASSETS

Intangible assets, all with a definite useful life, except for the trademark, are recorded when they are identifiable and are likely to produce future economic benefits for the Group.

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value of the price paid to acquire the asset and any other direct costs incurred to prepare the asset for use. For intangible assets generated internally, the generation of the asset is broken down into the periods of research (non-capitalised) and the period of development (capitalised). Where the two periods are indistinguishable, the entire project is considered as research and is recorded directly to the income statement.

Realised assets are amortised from the time of use or when they are sold. To date they have been classified under work in progress.

Financial charges incurred to acquire an intangible fixed asset are never capitalised.

After initial recognition, intangible assets are recognised on a cost basis, net of accumulated amortisation and any impairment. Amortisation is applied on the straight-line basis over the period of expected use. Given the homogeneity of the assets included within financial statement categories, with the exception of specific significant cases, the useful lives per category are as follows:

Category	Useful life
Software	3 – 6 years
Concessions, licenses and trademarks	3 – 8 years
Trademark	Indefinite
Other	2 – 14 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

The book value of an intangible asset is maintained in the accounts as long as there is evidence that this value may be recovered through asset usage. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

4 Accounting standards (Continued)

Software

Costs directly associated with information technology products, created internally or acquired from third parties are capitalised as intangible assets when the following conditions are met:

- the technical feasibility and intention to complete the product in order that the latter may be available for use or sale;
- the capacity to use or sell the product;
- a definition of the manner by which the product will generate probable and future economic benefits (the existence of a market for the product, or its internal use);
- the availability of adequate technical, financial and other resources for the purposes of completing the development and the use/sale of the product;
- the capacity to reliably estimate the cost attributable to intangible assets during development of the product.

Expenses for substantial updating of products are capitalised as improvements and added to the original cost of the software. Development costs that improve product performance or upgrade the product to regulatory requirements are reflected in projects created for customers and are thus expensed during the financial year in which they are incurred.

Concessions, licenses and trademarks

Costs related to the acquisition of concessions, licenses and trademarks are capitalised under intangible fixed assets. The cost comprises the fair value of the price paid to acquire the right and any other direct costs incurred for its adaptation or for implementation within the operating or productive context of the entity. The period of amortisation does not exceed the lower between the useful life and the duration of the legal/contractual rights.

4.4 GOODWILL

Goodwill is the excess of an acquisition cost in comparison to the company share of the fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill from the acquisition of companies for payment is not amortised and is subject to an impairment test at least once a year. For this purpose, goodwill is allocated to one or more Cash Generating Units. Potential reductions in value emerging from the impairment test are not reversed in subsequent periods.

In the case of the sale of assets (or part of an asset) of a CGU, any goodwill associated is included in the book value of the asset in order to determine the profit or loss from sale in proportion to the value of the CGU sold.

Goodwill relating to associates or other companies is included in the book value of these companies.

At period-end, goodwill is subject to impairment testing and adjusted for any losses. Losses are booked directly to the income statement.

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash flow, and are then measured using impairment testing.

A current value is determined for the relevant asset using a Discounted Cash Flow Model (DCF) based on the end of year account situation for each CGU. The current value is compared with the net book value and goodwill recorded in the financial statements to determine whether it is necessary to write-down the investment and record a loss in the financial statements.

Measurement methods are based on the criteria of maximum caution using capital cost parameters greater than the market average and introducing sensitivity analysis that validates maintaining goodwill value even where future scenarios are problematic.

4 Accounting standards (Continued)

4.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)

A loss in value is established wherever the book value of an asset is greater than the recoverable value. Where indicators of a loss in value exist, an estimate of the recoverable value of the asset is made (impairment test) and any write-down is applied. An impairment test is carried out at least annually, irrespective of the existence of such indicators.

The recoverable value of an asset is recorded at the greater of its fair value, net of sales costs, and its usage value. The recoverable value is calculated for each individual asset, unless it is not capable of generating cash flows from continuous use sufficiently independent of cash flows generated from other assets or groups of assets, in which case the test is carried out at the level of the smallest independent Cash Generating Unit which comprises the relevant assets.

4.6 BUSINESS COMBINATIONS

In IFRS 3, business combinations are defined as “a transaction or other event in which a purchaser obtains control of one or more businesses”.

A business combination can be created through various procedures based on legal, fiscal or other motives.

It may also involve the acquisition by an entity of share capital of another entity, acquisition of the net assets of another entity, undertaking of the liabilities of another entity or the acquisition of part of the net assets of another entity which, combined, establish one or more company activities. The combination may be realised through issue of instruments representing share capital, the transfer of cash or other liquid assets or other assets, or by a combination of the above. The operation may take place between shareholders of entities which combine or between an entity and shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the acquisition method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not at their book value. The difference (positive) comprises the goodwill.

The changes in the interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as capital operations. In this event, the book values of the holdings must be adjusted to reflect the changes in their relative holdings in the subsidiary. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders’ equity and allocated to shareholders of the Parent Company.

4.7 OTHER EQUITY INVESTMENTS

Acquisitions are recorded at the fair value of the investment plus any directly attributable costs. Following initial recognition, equity investments are recognised at cost.

A significant and prolonged decrease in equity investment fair value below the initial booked cost is considered an objective indication of value loss.

Associates

Associates are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

4.8 OTHER NON-CURRENT ASSETS

Financial receivables with a due date beyond 12 months and investments in other companies are recorded under other non-current assets.

Investments in other companies refer to equity investments other than subsidiaries, associates and joint ventures and are entered at cost adjusted for any impairment whose effect is recognized in the income statement.

4 Accounting standards (Continued)

4.9 INVENTORIES

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.

Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses. Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

4.10 CUSTOMER CONTRACT ASSETS

Customer contract assets concern specific projects in the course of completion based on long-term contracts.

If the result of a project in course can be reliably estimated, the contractual revenues and costs are recorded based on the percentage of completion method (so-called cost to cost), so as to attribute the revenues and profits over the entire duration of the contract.

If the result of a project in course of completion cannot be reliably estimated, the contractual revenues are recorded for the amount of costs incurred if it is probable that such costs are recoverable.

The sum of costs incurred and the result on each project is compared with the invoices issued on account at the date of the preparation of the accounts. If the costs incurred in addition to the profits recorded (deducting losses) are greater than the invoices issued on account, the difference is recorded under current assets in the account "Customer contract assets". If the invoices on account are greater than the costs incurred plus the profits (deducting the losses), the difference is classified under current liabilities in the account "Trade payables".

4.11 DEFERRED CONTRACT COSTS

4.11.a Incremental costs of obtaining a contract

IFRS 15 permits capitalize costs sustained to obtain a contract, provided that costs be considered as "incremental" and recoverable through future economic benefits of the contract. All costs borne in relation to the acquisition of the contract are considered as incremental costs. Conversely, costs that were borne regardless of the acquisition of the contract, and therefore could not be qualified as incremental, are expensed in the income statement as they are not related to the stage of completion (not a cost-to-cost component).

Incremental costs are suspended and accounted for under a special item in the current assets (deferred contract costs) and systemically released together with the transfer of control of goods/services to the customer.

4.11.b Costs to obtain a contract

IFRS 15 envisages cost suspension for the execution of contracts, i.e. capitalisation of costs that comply with all the following criteria:

- refer directly to the contract;
- generate and improve resources that will be used to meet the contract obligation performance; • are recoverable through future economic benefits of the contract.

This type of costs is usually represented by pre-operating costs, which are not explicitly recognised within contracts with customers and are remunerated through the contract overall margin. In this case, always fulfilling the aforesaid three conditions, pre-operating costs are suspended and systemically expensed in order to reflect the amount of goods/services transferred to customers.

In addition to the above, new provisions set out in IFRS 15 define all the costs that, for their type and nature, cannot be used for the course of the contract as, despite the fact that they are specifically referable to the contract and considered as recoverable, they do not generate or improve the resources that will be used to fulfil the contract performance obligation, or contribute to transfer the control of goods and/or services to customers.

4 Accounting standards (Continued)

4.12 TRADE RECEIVABLES

Trade receivable are owned within the business model, whose target is collecting contract cash flows made up solely of payments of principal and interest on the principal amount to be refunded. They are therefore initially recorded at fair value, adjusted with directly attributable transaction costs, and subsequently measured at amortised cost based on the effective interest rate method (i.e. the rate that equalizes, upon initial recognition, the current value of expected cash flows and the book value) and adequately adjusted to take account of any possible write-downs, through the creation of a bad debt provision. Trade receivables are included in current assets, except for amounts that are overdue after one year with respect to the reporting date. These receivables are disclosed under non-current assets.

At each reporting date, financial assets, except for those measured at fair value with a contra-entry recognised in the income statement, are analysed to assess the existence of any possible impairment indicators. IFRS 9 requires the application of a model based on expected losses on receivables. The Group applies the simplified approach to estimate the expected losses along the receivable useful life and takes account of its historical experience of losses on receivables, adjusted to reflect the current conditions and estimates on future economic conditions. The model of expected losses on receivables requires the immediate recognition of expected losses during the useful life of the receivable, as the occurrence of a trigger event is not required to recognise losses.

For trade receivables accounted with the criterion of amortised cost, after identifying an impairment, its value is measured as the difference between the book value of the asset and the current value of the expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement.

Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were written off from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits on demand, other short-term financial assets with original expiry not greater than 3 months and current account overdrafts. The latter, in the preparation of the statement of financial position, are included under “borrowings”. Cash and cash equivalents are recognised at fair value.

4.14 DISCONTINUED OPERATIONS

A discontinued operation is a company component that has been sold or is reclassified as held for sale and represents an important independent operation or geographical area of operation or a subsidiary acquired solely for the purpose of resale. An operating activity is classified as discontinued at the moment of the sale or when the conditions have been satisfied for classification in the category “held for sale”, if prior. When an operation is classified as sold, the separate income statement and the comparative comprehensive income statement are re-determined as if the operation were discontinued at the beginning of the comparative period.

4.15 SHARE CAPITAL

Share capital consists of fully paid-up and subscribed capital. Treasury shares are recorded as a reduction of the share capital for the nominal value of the shares while the excess of the book value compared to the nominal value is recorded as a reduction of the other reserves. No profit (loss) is recorded to the income statement for the purchase, sale or cancellation of equity instruments held.

4.16 RESERVES

Reserves consist of specific capital reserves.

4 Accounting standards (Continued)

4.17 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)

The "Retained earnings/(losses carried forward)" item includes the net profit of the current and previous periods which was neither distributed nor allocated to reserves (in the case of profits) or recapitalised (in the case of losses). This item also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

4.18 BORROWINGS

Unlike derivative instruments, borrowings are initially booked at the fair value of collected sums, rectified by any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest criteria.

Derivative financial instruments

Derivatives recognised at fair value are designated as hedge instruments when the relationship between the derivative and the subject being hedged is formally documented and the effectiveness of the hedge, which is periodically verified, is within the limits provided for under IFRS 9.

For these instruments the fair value is determined on the basis of evaluation techniques taking as reference the indicators that can be observed on the market (so-called level 2, as per IFRS 7). The report must contain the evaluation method of the efficacy of the hedging instrument to offset the exposure to changes in the fair value of the item hedged or the cash flows relating to the hedged risk, and must be highly effective for all of the years for which the hedge was designated.

The type established by the Company is a cash flow hedge in order to offset the risk of changes in interest expense for the loan covered by the hedge, converting the loan to a fixed interest rate.

The hedge was created through agreeing an interest rate swap contract, against which the Company receives an indexed variable interest rate and expiry and time periods in line with the hedged loan and paying a fixed interest rate.

The efficacy, measured periodically, is verified with the perfect hedge derivative method. Changes in the fair value of the derivative are calculated based on the methods utilised for prospective or retrospective assessment of efficacy in the hedging report and are compared with the changes in the fair value of a similar derivative instrument. The hedging is deemed as effective in relation to the application of a quality measurement of the economic relation between the hedged element and the hedging element.

The effective hedging component is recorded under other comprehensive income statement items and shareholders' equity reserve and is calculated as the lower value between the accumulated changes in hedge derivative fair value and the changes in fair value of the hypothetical derivative. The ineffective hedging component is recorded to the income statement.

4.19 TREATMENT OF THE PUT OPTIONS ON SUBSIDIARY SHARES

IAS 32 envisages that an agreement that sets out that an entity is bound to acquire shares in cash or against other financial assets originates a financial liability corresponding to the present value for the redemption amount of put option.

Therefore, the liability must be recognised unless the entity has the unconditional right to avoid the delivery of cash or other financial instruments upon the exercise of the put option on shares of subsidiaries.

The Group:

(i) recorded, as a counter-entry of equity reserves, the payables resulting from the obligation and any following changes in the same liability that are related to the mere elapsing of time (unwinding of price discount); (ii) expensed the latter to the income statement.

4 Accounting standards (Continued)

4.20 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are recorded in the income statement for the period in which the work is carried out. The Company records a liability for the amount that it expects will have to be paid in the form of profit-sharing and incentive plans when it has a current, legal or implicit obligation to make such payments as a consequence of past events and for which the obligation can be reliably estimated.

Post-employment benefits

Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the benefits owed to employees for termination of employment are recorded in the accounts as a cost if the offer is likely to be accepted, and if the number of employees, expected to accept the offer, can be reliably estimated. Benefits owed after twelve months following the closing date of the financial year are discounted.

Defined benefit plans

Post-employment benefits represent a plan of defined benefits which are certain in terms of their existence and sum but uncertain in terms of the vesting of the post-employment benefits accrued as of December 31, 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected unit credit" method.

Actuarial gains and losses are recognised in the comprehensive income statement and recorded under shareholders' equity on an accrual basis.

Defined contribution plans

As from January 1, 2007, the Group companies have participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programs; the latter may be mandatory, contractual or voluntary. Payment of the contributions fulfils the Company's obligation to its employees.
Contributions thus constitute costs for the period in which they are due.

Share-based payments

Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to equity-settled share-based payments, the cost of the incentive plan is apportioned along the vesting period and it is determined with reference to the fair value of the right assigned, at the date in which the commitment is undertaken, so that existing market conditions are reflected at the reference date. At each reporting date, all hypotheses are reviewed in relation to the number of options that are expected will reach maturity. The charge pertaining to the year is recorded in the income statement, under item personnel costs, and its contra-entry is recognised as equity reserve.

4.21 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

According to IAS 37 provisions for risks concern the probable liabilities of uncertain amount and/or maturity relating to past events whose fulfilment will necessitate the use of resources.
Allocations are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.

The amount represents the best estimates in relation to resources required for fulfilling the obligation, including legal defence charges. Where the effect of the current value of the payment is significant, the amount of the provision is represented by the value of resources considered necessary to satisfy the obligation on

4 Accounting standards (Continued)

maturity discounted at a nominal rate without risks. The contingent assets and liabilities (possible assets and liabilities or not recorded as the amount may not be reliably estimated) are not recorded in the financial statements.

Information in this regard is provided however.

4.22 REVENUES AND COSTS

Revenues

IFRS 15 superseded the previous IAS 18 and IAS 11 standards, as well as the related interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The new standard sets out the criteria to recognise revenues resulting from contracts stipulated with customers, with the exception of those falling within the scope of application of standards on lease, insurance contracts and financial instruments. The standard defines an overall reference framework to identify the timing and amount of revenues to be entered in the financial statements.

Pursuant to IFRS 15, the company shall recognise revenues from contracts with customers and related impact on accounts through the following steps:

a) identification of the contract;

b) identification of the performance obligations of the contract;

c) determination of the transaction price;

d) allocation of the transaction price for each identified performance obligation;

e) recognition of the revenue when the performance obligation is fulfilled.

Therefore, the amount that the Company records as revenue should reflect the amount that it is entitled to receive against the transfer of goods and/or services to customers. These amounts shall be recognised when the underlying performance obligations are fulfilled, i.e. when the Group has transferred the control of goods or services to customers in the following ways: a) over time; b) at point in time.

The following table shows the main types of products and services that the Group supplies to its customers and the related recognition modalities:

Products and Services	Type and timing to fulfil performance obligations
Development of annual and multiannual projects	The Group fulfils the related obligations and recognises over time revenues based on the percentage of costs accrued or the periodical progress of services rendered. The unconditional right to receive a payment from the customers arises based on the progress of costs accrued or the periodic underlying progress of each order.
Other services and events	The Group fulfils the related performance obligations and recognises revenues at a point in time, based on events underlying the supply of goods and services. The unconditional right to receive a payment by the customer arises following the occurrence of these events.

Moreover, as regards the recognition of revenues, the necessity of evaluating the possible obtainment/ collection of economic benefits linked to the revenue is highlighted. As regards construction contracts (i.e. contract assets), the requirement to record revenues is introduced, taking also account of the possible discount effect resulting from collections over time, as described in the dedicated paragraph.

Costs

Interest is recorded at the effective rate based on the accruals principle.

4 Accounting standards (Continued)

Costs relating to the acquisition of new knowledge or discoveries, to the study of alternative products or processes, of new techniques or models, to the design and construction of prototypes or incurred for other scientific research activities or technological development are generally considered current costs and recorded to the income statement in the year in which they are incurred.

Costs for research undertaken in order to gain new technical expertise are recorded in the income statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

Dividends

Dividends are recognised at the date of endorsement of the resolution by the Shareholders' Meeting, unless the sale of shares is reasonably certain before the coupon detachment date.

4.23 GRANTS

Grants are recognised when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met.

When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate.

When the grants relate to an asset, for example plant, they are recorded to the income statement under revenues rather than as an adjusted item of the book value of the asset for which it was obtained. Subsequently the useful life of the asset for which it was granted is taken into account using the deferral technique.

Public grants drawn down as compensation of expenses and costs already incurred or with the intention to provide immediate financial aid to the entity without which there would be future costs are recorded as income in the year in which they become payable.

4.24 DEFERRED AND CURRENT TAXES

Current income taxes for the financial year are calculated based on an estimate of taxable income in compliance with tax law provisions.

Deferred taxes are recognised with reference to the time differences between the book value of the assets and liabilities recorded in the financial statements and the corresponding values recognised for tax purposes.
Deferred tax assets are recognised for tax losses and tax credits not used and carried over, as well as the assumed time differences, insofar as there is a probable future taxable income for which the assets can be used. The value of deferred tax assets is revised at the closing date of each financial year, and reduced in the measure that it is no longer probable that the related tax benefit will be realised.

4.25 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

Functional and presentation currency

The financial statement items are valued utilising the currency of the main economic environment in which the entity operates ("functional currency").

Operations and balances

Currency operations are translated into the presentation currency by using the exchange rate effective on the transaction date. Exchange gains and losses from the settlement of these transactions and the conversion of monetary assets and liabilities in foreign currencies at the date of preparation of the accounts are recorded to the income statement.

Conversion of financial statements of foreign operations

A foreign operation is an entity that is a subsidiary, associate or joint venture of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. The

4 Accounting standards (Continued)

statement of financial position and income statement data expressed in the functional currency of foreign operations are converted into the presentation currency of the consolidated financial statements at the exchange rate at year-end for assets and liabilities and at the exchange rate in force at the date of the related transactions for revenues and costs in the income statement or the comprehensive income statement. These latter are converted at the average exchange rate in the period when such approximates the exchange rate at the date of the respective operations. Exchange differences deriving from such conversions and from the conversion of the opening shareholders' equity at the closing exchange rate are recognised to the comprehensive income statement. The total amount of the exchange differences is presented as a separate shareholders' equity item until the divestment of the foreign operation.

4.26 CHANGES IN ACCOUNTING STANDARDS, ERRORS AND CHANGE OF ESTIMATES

Changes in accounting standards

Accounting standards are changed from one year to the next only when the change is required by a standard or if it contributes to providing more reliable and significant information about the effects of transactions on financial standing, as well as on the economic results, or cash flows, of the entity. The changes to accounting standards are recognised retrospectively with the recording of the effect to shareholders' equity of the first of the period disclosed. The comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous paragraph.

Correction of errors from previous periods

In the case of significant errors, the same method that is used for changes in accounting standards illustrated in the previous paragraph is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in accounting estimates

Changes in accounting estimates are recognised and are booked to the income statement in the period in which the change occurs, so long as the change only affects this period; where the change also affects future periods, the changes are booked in both the period in which the change occurs and in the future period.

4.27 FINANCIAL RISK AND CAPITAL MANAGEMENT

As in all businesses, risk factors which may affect the Group results exist and therefore preventive actions have been taken. These procedures concern the commitment and responsibilities undertaken and are subject to maximum transparency and correctness. For the relative details reference is made to paragraph XIII of the Directors' Report. The Company's risk management policies aim at identifying and analysing risks to which the Company is exposed, establishing appropriate limits and controls and monitoring risks with respect to those limits. These policies and the related systems are regularly revised to reflect any variations in market conditions and Group business. For information on Risk Management, see paragraph XVI of the Group Directors' Report. The Company's business is exposed to the following risks: market risk (exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors provides for a high level of capital management policies in order to maintain trust among investors, creditors and the market, allowing for future development. The Board also monitors capital returns, understood as the result from operations compared with total shareholders' equity. Furthermore, the Board of Directors monitors the level of dividends to be distributed to holders of ordinary shares. For details on the Company's debt/equity ratio, see paragraph IX of the Directors' Report.

4.27.1 Credit risk

The credit risk is the Group's exposure to the risk of potential losses resulting from the non-performance of obligations undertaken by the counterparties.

4 Accounting standards (Continued)

Allocations to bad debt provisions, carried out by Group companies, reflect the effective credit risks through the targeted quantification of the allocation itself.

The Group manages the credit risk by having relations mainly with counterparties with high creditworthiness and does not have any relevant concentrations of credit risk. The maintenance of an effective credit risk management represents a strategic target for the Group and, for this purpose, the type of business and the payment instruments adopted generally guarantee a limited credit risk.

Credit positions are individually impaired, if they are singularly significant, for which a partial or total non-payment is an objective condition. The amount of impairment takes account of an estimate of recoverable cash flows and the related collection date, as well as future recovery charges and expenses and the value of guarantees and security deposits received from customers. With respect of receivables that are not subjected to analytical impairment, provisions are collectively allocated, taking account of the historical experience, provisions related to the future macroeconomic conditions affecting the customers' ability to repay receivables, as well as available statistics.

The recoverability of trade receivables is constantly monitored by the Group through the activity of a specific corporate department.

Maximum credit risk exposure is examined in more detail in paragraph 14 of this document.

4.27.2 Liquidity risk

Liquidity risk is the difficulty in fulfilling obligations connected with borrowings paid cash or through another financial asset.

The difficult economic context of commercial and financial markets requires special attention for the management of liquidity risk. To this purpose, special attention was given to actions aimed at both generating financial resources with operating management and maintaining an adequate level of available liquidity. The Group therefore intends to meet requirements resulting from financial payables to be overdue and planned investments through cash flows from operations, cash on hand and the centralised management of the Group's treasury.

The Group deems that it has access to sufficient funds to fulfil its scheduled obligations, taking account of cash and cash equivalents, its ability of generating cash flows, the sourcing of funds from the bond market and the availability of credit lines by banks.

A detailed analysis of the due dates for borrowings is contained in paragraphs 20 and 25 hereof.

4.27.3 Market risk

The strategy followed for this type of risk aims at mitigating interest rate and exchange rate risks, while optimizing debt cost.

These risks are prudently managed, in compliance with the best market practices. The main objectives indicated in the policy are as follows:

- to pursue the defence of the long-term plan scenario against the effects caused by the exposure to interest rate and exchange rate risks, by defining the optimal combination between fixed and variable interest rates;
- to pursue the potential reduction of the Group's debt cost;
- to manage operations of derivative financial instruments, taking account of the economic and equity impacts that these actions would have, also due to their classification and accounting.

Exposure to the interest rate risk arises from the need to finance the operations and M&A investments, as well as to invest any available liquidity. Fluctuations in market interest rates may negatively, or positively, affect the economic result of the Group, thus indirectly affecting costs and returns of financing and investment transactions. The interest rate risk, to which the Group is exposed, derives from bank borrowings. To mitigate

4 Accounting standards (Continued)

these risks, when it is deemed suited, the Group uses derivatives designated as cash flow hedges. The use of these instruments is governed by written procedures that are consistent with the management strategies of the Group's risks and that do not envisage any derivatives with trading purposes.

- **4.28 RELATED PARTIES**

Engineering Ingegneria Informatica S.p.A. approved the procedure for the identification and carrying out of Transactions with Related Parties through Board of Directors' resolution of November 12, 2010, effective on January 1, 2011. During the financial year the Company carried out transactions with a number of related parties.

All balances with related parties were determined under normal market conditions. The general conditions governing transactions with senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with executives without strategic responsibility of the same entities.

- **4.29 NEW IFRS STANDARDS AND IFRIC INTERPRETATIONS**

The International Accounting Standards (IFRS) endorsed by the European Commission and effective on December 31, 2018 were applied in preparing the Group consolidated financial statements. With reference to the new IFRS Standards in force, reference is made to the first application of IFRS 9—"Financial Instruments" and IFRS 15—"Revenues from contracts with customers", as from January 1, 2018. Their impact is described hereunder.

Accounting standards, amendments and IFRS interpretations applied as of January 1, 2018

The following accounting standards, amendments and IFRS interpretations were applied for the first time by the Group as of January 1, 2018:

- on May 28, 2014, the IASB published the standard IFRS—15**Revenue from Contracts with Customers,** which aims to replace the standards IAS 18—Revenue and IAS 11—Construction Contracts, as well as the interpretations IFRIC 13—Customer Loyalty Programmes, IFRIC 15—Agreements for the Construction of Real Estate, IFRIC 18—Transfers of Assets from Customers and SIC 31—Revenues-Barter Transactions Involving Advertising Services, together with further clarification published on April 12, 2016. The standard establishes a new model for revenue recognition which will be applied to all contracts stipulated with customers, with the exception of those falling within the scope of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The fundamental steps for booking revenues according to the new model are as follows:
  - identification of the contract with the customer;
  - identification of the performance obligations of the contract;
  - price determination;
  - allocation of the price to the performance obligations in the contract;
  - criteria for registration of the revenue when the entity satisfies each performance obligation.

  Therefore, the amount that the entity recognises as revenue should reflect the amount that it is entitled to receive against the transfer of goods and/or services to customers. These amounts shall be recognised when its performance obligations are fulfilled. Moreover, as regards the recognition of revenues, the necessity of evaluating the possible obtainment/collection of economic benefits linked to the revenue is highlighted. As regards customer contract assets, the requirement to record revenues is introduced, taking also account of the possible discount effect resulting from collections over time.

Impacts on the consolidated financial statements of the Engineering Group, resulting from the adoption of IFRS 15

The standard was applied as from January 1, 2018. The Group opted to recognise the effect related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, without remeasuring the balance of items of compared previous years.

4 Accounting standards (Continued)

At completion of surveys carried out, no significant impact was identified from the adoption of IFRS 15 for the Engineering Group, except for the following:

(i) "premium" credit collection contracts;

(ii) the rename of items "Construction contracts" with "Customer contract assets".

In particular, in the case of "premium" credit collection contracts (sub i), according to provisions of the new standard, the following was carried out:

- recognition of "at point in time" revenue, upon tax collection inasmuch as, based on contract terms governing the consideration, the Company has the unconditioned right to collection only upon completion of the service (i.e. collection of the tax);
- recognition of an asset ("Deferred contract costs"), against contract costs (cost borne to execute the contract), to the extent they are deemed to be recoverable (i.e. within the limits of the amount of overall estimated future performances);
- expense to income statement of the cost pertaining to each financial year in the amount corresponding to the transfer of asset-related services to customers and the related recognition in the income statement.

It should be highlighted that, in addition to the above-mentioned effects, analyses were carried out on other aspects of the contracts with customers that were relevant for the Group's assets and business. No significant impact was recognised in the application of the new standard. For example, reference is made to contractual issues (costs to obtain a contract, guarantees) that were measured and recorded pursuant to the new standard, whose analysis is in any case taken into consideration also for new contracts.

The application of the new standard generated a reduction of the shareholders' equity as of January 1, 2018 of Euro 4.2 million (net of tax effect).

In the event of retroactive application of the new IFRS 15 standard to the Group financial statements as of December 31, 2017, the results would have been disclosed with:

- a decrease in total revenues equal to Euro 27.4 million;
- a decrease in operating expenses equal to Euro 21.5 million;
- an increase of taxes of Euro 1.7 million.
- On July 24, 2014, the IASB published the final version of **IFRS 9—"Financial Instruments".** The document includes the results of the IASB project, aimed at superseding the IAS 39 standard. The new standard should be applied by the financial statements as of January 1, 2018 or subsequent years.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, and in the case of financial assets, the new standard utilises a unique approach based on the modalities for management of financial instruments and on the characteristics of contractual cash flows of the financial assets themselves in order to determine the valuation criterion, thereby replacing the various rules provided for by IAS 39. In the case of borrowings, on the other hand, the primary modification concerned the booking of changes in the fair value of a financial liability classified as a financial liability and measured at fair value in the income statement in the case that these changes were due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be booked in "Other comprehensive income" and no longer in the income statement. Moreover, in the event of non-substantial modifications of liabilities, it is no longer allowed to spread the economic effects of renegotiation over the residual duration of the payable, by modifying the effective interest rate at that date, and the related effect will have to be recognised in the income statement.

With reference to impairment, the new standard requires that the estimate of losses on receivables must be implemented on the basis of the model of expected losses (and not the model of incurred losses utilised by IAS 39) by using supportable information that is available without unreasonable charges or efforts and which include historical, current or forecasted data. The standard requires that this impairment model be applicable to all

4 Accounting standards (Continued)

financial instruments, i.e. to financial assets measured at their amortised cost as well as those measured at fair value through other comprehensive income, receivables deriving from rental contracts and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements needed by the current IAS 39, which are occasionally considered too strict and unsuitable to reflect the risk management policies of companies. The primary novelties within the document include the following:

- an increase in the type of transactions eligible for hedge accounting, even including the risks of non-financial assets/liabilities which are eligible to be managed in hedge accounting;
- a change in the modalities for booking forward contracts and options when these are included in a hedge accounting relationship and in order to reduce the volatility of the income statement;
- changes to the efficacy test through the replacement of the current modalities based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and hedging instrument; in addition, an evaluation of the retrospective efficacy of the hedging relationship will no longer be requested.

The increased flexibility of the new accounting rules is counterbalanced by additional requests for reporting on the risk management activities of the Group.

Impacts on the consolidated financial statements of the Engineering Group, resulting from the adoption of IFRS 9

It should be noted that the only effect resulting from the adoption of IFRS 9 concerned the impairment based on the expected credit loss envisaged by IFRS 9. To this purpose, the Group developed a new credit risk modelling, which allowed for analytically determining the different credit risk related to customers' creditworthiness since the occurrence of receivables and progressively according to their ageing. This information was used by the Group in determining the bad debt provision according to the impairment modelling based on expected credit loss, which involved an effect on the initial shareholders' equity related to the implementation of IFRS 9, equal to a reduction of the same by Euro 0.49 million as a consequence of a credit reduction of equal amount (i.e. Euro 0.49 million), without significant amendments to economic data of the first half 2018.

The decrease in retained earnings refers to the recording of further and possible losses due to the reduction of financial assets resulting from the application of the provisional model for the expected credit loss, introduced by IFRS 9 in replacement of the incurred credit loss model envisaged by IAS 39. Based on this new modelling, also financial assets that are not overdue were analysed. No impairment was reported for these assets.

It is also specified that impairment recorded on January 1, 2018 referred primarily to trade receivables. The analyses made on financial assets and liabilities reported no relevant impairment.

Moreover, the following table shows an overview of financial assets and liabilities in place as of December 31, 2017, while highlighting the related measurement criterion applied pursuant to the previous IAS 39 and the new IFRS 9.

4 Accounting standards (Continued)

Summary table of the consolidated equity-financial position, restated as of January 1, 2018:

	Approved 31.12.2017	Adoption effects IFRS 9	Restated IFRS 15	01.01.2018
		(in Euros)		
Current assets	**980,980,889**	**(487,442)**	**(5,872,035)**	**974,621,412**
of which: trade receivables	550,834,537	(487,442)	(27,380,785)	522,966,310
of which: deferred contract costs	—	—	21,508,751	21,508,751
Non-current assets	**684,352,962**	**—**	**1,638,843**	**685,991,805**
of which: deferred tax assets	32,251,670	—	1,638,843	33,890,513
Total assets	**1,665,333,851**	**(487,442)**	**(4,233,192)**	**1,660,613,217**
Current liabilities	611,315,471	—	—	611,315,471
Non-current liabilities	466,312,451	—	—	466,312,451
Total liabilities	**1,077,627,922**	**—**	**—**	**1,077,627,922**
Shareholders' equity	**587,705,929**	**(487,442)**	**(4,233,192)**	**582,985,295**
of which: retained earnings/(losses carried forward)	(9,996,382)	(487,442)	**(4,233,192)**	(14,717,016)
Total liabilities and shareholders' equity	**1,665,333,851**	**(487,442)**	**(4,233,192)**	**1,660,613,217**

As regards both standard (IRFS 15 "Revenues from contracts with customers" and IFRS 9 "Financial instruments"), the Engineering Group opted to disclose the effect, related to the retroactive remeasurement of amounts, in shareholders' equity on January 1, 2018, taking account of the types existing on that date, without any restatement of financial years under comparison. The summary of the effects of the adoption of new standards on the opening balances as of January 1, 2018 is shown hereunder.

- On June 20, 2016, the IASB published the amendment to **IFRS 2—"Classification and measurement of share-based payment transactions".** Amendments supply some clarification in relation to accounting of the effects of vesting conditions, in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of amendments to terms and conditions of a share-based payment, which modify the classification from cash-settled to equity-settled.

The amendments were applied as from January 1, 2018. The adoption of this amendment had no impact on the Group consolidated financial statements.

- On December 8, 2016 the IASB published the document **"Annual Improvements to IFRS's: 2014-2016 Cycle",** which partially supplements the already existing standards within the annual improvement process. The main amendments involve:
  - IFRS 1—First-Time Adoption of International Financial Reporting Standards—Deletion of short-term exemptions for first-time adopters. The amendment was applied as from January 1, 2018 and concerns the cancellation of some short-term exemptions envisaged in paragraphs E3-E7 in the Appendix E of IFRS 1 as it is deemed that the benefit of these exemptions no longer exists.
  - IAS 28—Investments in Associates and Joint Ventures—Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or other qualifying entity (such as a mutual fund or similar entity) to measure investments in associates and joint ventures, measured at fair value through profit or loss (rather than by using the equity method), should be performed for each single investment upon initial recognition. The amendment was applied as from January 1, 2018.
  - IFRS 12—Disclosure of Interests in Other Entities—Clarification of the scope of the Standard. The amendment clarifies the application scope of IFRS 12, and specifies that disclosures required by the standard, except for the ones envisaged in paragraphs B10-B16, also apply to interests held

4 Accounting standards (Continued)

for sale, held for distribution to shareholders and discontinued operations in accordance with IFRS 5. The amendment was applied as from January 1, 2018.

The adoption of these amendments had no impact on the Group consolidated financial statements.

- On December 8, 2016, the IASB issued the amendment to the **IAS 40—"Transfers of Investment Property".** These amendments clarify transfers of investment property to, or from investment property. More specifically, an entity must reclassify a property to, or from investment property only when there is a change in use. A change in use must be related to a specific event already occurred and shall not be limited to a change in the Management's intentions of an entity for the use of a property. These amendments were applied as from January 1, 2018. The adoption of these amendments had no impact on the Group consolidated financial statements.

- On December 8, 2016, IASB published the interpretation **IFRIC 22—"Foreign Currency Transactions and Advance Consideration".** This interpretation aims at supplying guidelines from transactions carried out in a foreign currency, where non-monetary advances and payments on account are recognised in the financial statements before the recognition of the related assets, costs or revenue. This document gives indication on how the entity should determine the date of a transaction and therefore the spot exchange rate to be used when transactions in foreign currency are carried out, in which the payment is made or received in advance.

  The interpretation clarifies that the transaction date is the earlier between:

  a) the date in which the advanced payment or the payment on account received are recorded in the entity's financial statements; and

  b) the date in which the assets, the cost or the revenue (or part of the same) is recorded in the financial statements (with consequent reverse of the advanced payment or the payment on account received).

  In the event of a number of advances or payments on account received, a specific transaction date must be identified for each of these transactions. IFRIC 22 was applied as from January 1, 2018. The adoption of this interpretation had no impact on the Group consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the group as of December 31, 2018

- On January 13, 2016, the IASB published the standard **IFRS 16—Leases** which will replace IAS 17—Leases, as well as the interpretations 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.

  The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of a good in order to distinguish lease contracts from service contracts, while identifying the following as discriminating factors: identification of the good, the right of replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and the right to manage the use of the good underlying the contract.

  The standard provides for a single model for the recognition and measurement of lease contracts for the lessee and which includes the booking of the assets also subject to an operating lease under assets and with an offsetting item equal to a financial payable, thereby providing for the possibility of not recognizing contracts, which involve low-value assets (i.e. lease contracts related to assets with a value lower than Euro 5,000) as well as leases with a contractual duration equal to or less than 12 months, as leasing contracts. On the contrary, the standard does not include significant changes for lessors.

  The standard is applicable as of January 1, 2019 but early application is allowed.

  The Company has completed the preliminary assessment project of possible impacts resulting from the application of the new standard at the transition date (January 1, 2019). This process envisages multiple

4 Accounting standards (Continued)

steps, including the complete mapping of contracts that are potentially suited to include a lease, and the analysis of the same in order to understand the main clauses that are relevant for the purposes of IFRS 16.

Directors initiated a project aimed at implementing the new standard which envisages, as first step, a detailed analysis of contracts and accounting impacts and, as a second step, the implementation and/ or adjustment of administrative processes and the accounting system. Directors have not yet defined the approach that they intend to adopt amongst those permitted by the IFRS 16 standard.

The Company elected to apply this standard by using the modified retrospective transition method and recording the cumulated effect resulting from the application of the standard to shareholders' equity as of January 1, 2019, pursuant to provisions set forth in paragraphs IFRS 16: C7-C13. In particular, in relation to lease contracts previously classified as operating leases, the Company will account for the following:

a) a financial liability, equal to the present value of residual future payments at the transition date, discounted by using, for each single contract, the incremental borrowing rate applicable at the transition date;

b) a right of use, equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the reporting date of these financial statements.

The following table shows the estimated impact of the IFRS 16 adoption at transition date.

Description	Impacts at transition date (01.01.2019)
	(in millions of Euros)
Non-current assets—right of use	**157.1**
Non-current liabilities	
Borrowings for non-current leases	137.9
Current liabilities	
Borrowings for current leases	19.2
Total	**157.1**

In adopting IFRS 16, the Group intends to take advantage of the exemption below:

- in paragraph IFRS 16:5(a) with regard to short-term leases;
- in paragraph IFRS 16:5(b) as regards lease contracts for which the underlying asset is defined as low value asset (i.e. the assets underlying a lease contract do not exceed Euro 5,000).

The Company is willing to adopt the following implementation measures, as provided for in IFRS 16:

- Portfolio approach: the Group identified contracts with similar characteristics and that can be treated as a portfolio;

Moreover, with reference to transition methods, the Company intends to adopt the following implementation measures in the event the modified retrospective transition model is adopted:

- classification of contracts regarding short-term leases (expiring within 12 months from the transition date). For these lease contracts, the rates will be recognised in the income statement on a straight-line basis;
- exclusion of initial direct costs from the measurement of the right of use as of January 1, 2019;
- use of information at the transition date, to determine the lease term, with special reference to the use of extension options and advanced termination.

4 Accounting standards (Continued)

The transition to IFRS 16 introduces some elements of professional advice, which involve the definition of some accounting policies and the use of assumptions and estimates in relation of the lease term, upon definition of the incremental borrowing rate.

- On October 12, 2017, the IASB published an amendment to **IFRS 9—"Prepayment Features with Negative Compensation"** (published on October 12, 2017). This document specifies that the instruments that envisage a prepayment might comply with the "SPPI" test also in the event the reasonable additional compensation, to be paid in case of prepayments, is a negative compensation for the lender. The amendment is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.
- On June 7, 2017, the IASB published the interpretation **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"** (published on June 7, 2017). The interpretation deals with uncertainty over tax treatments to be adopted on income taxes. In particular, the interpretation requires that an entity analyses the uncertain tax treatments (independently or together, according to their characteristics), always assuming that Tax Authorities will examine those amounts and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to reflect the uncertainty when determining current and deferred income taxes. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the management on the uncertainty related to tax accounting, in compliance with IAS 1.

The new interpretation is applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of this interpretation on the Group consolidated financial statements.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

At the reporting date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the approval process required for the adoption of amendments and the standards below.

- On May 18, 2017, the IASB published the standard **IFRS 17—Insurance Contracts,** intended to supersede the standard IFRS 4 Insurance Contracts.

  The target of the new standard is to guarantee that an entity supplies information representing both rights and obligations related to insurance contracts. The IASB has developed this standard to cancel all inconsistencies and weaknesses of the existing accounting policies, by supplying a consolidated principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The new standard also envisages presentation and information requirements to improve comparability between entities belonging to the same sector.

  According to the new standard, an insurance contract is measured based on a General Model or a simplified version named Premium Allocation Approach ("PAA").

  The main characteristics of the General Model are:

  - estimates and assumptions of future cash flows are always the current ones;
  - measurement reflects the time value of the money;
  - estimates envisage an extensive use of observable market information;
  - there is a current and explicit measurement of risk;
  - the expected revenue is deferred and aggregated in clusters of insurance contracts upon initial recognition; and,

4 Accounting standards (Continued)

- the expected revenue is recognised over the coverage period for the contracts, taking account of adjustments resulting from changes in assumptions related to cash flows of each single cluster of contracts.

The PAA approach measures the liability for the remaining coverage of a cluster of insurance contracts provided that, upon initial recognition, the entity provides that this liability reasonably represents a reasonable approximation to the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. Simplifications resulting from the application of the PAA method are not applicable to the measurement of liabilities for claims in place, that are measured based on the General Model. However, discounting of cash flows is not required if the balance is likely to be paid or received within one year from the claim date.

The entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features (DPF).

The standard is applicable as from January 1, 2021 but early application is allowed solely for entities which apply IFRS 9—Financial Instruments and IFRS 15—Revenue from Contracts with Customers. The Directors deem that the adoption of this standard will not have a significant effect on the Group consolidated financial statements.

- On June 7, 2017 the IASB issued the interpretation document **IFRIC 23—Uncertainty over Income Tax Treatments.** The document deals with uncertainty over tax treatments to be adopted on income taxes.

  The document sets out that uncertainty when determining tax credits or tax loss be reported in the financial statements only when it is probable that the entity will pay or recover the amount. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the management on the uncertainty related to tax accounting, in compliance with IAS 1.

  The new interpretation is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of this interpretation on the Group consolidated financial statements.

- On October 12, 2017, the IASB published the document **IAS 28—"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**. This document clarifies that an entity shall apply IFRS 9, including requirements related to impairment, to other long-term interests in associates or joint ventures to which the equity method is not applied. The amendment is applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On December 12, 2017, the IASB published the document **"Annual Improvements to IFRSs: 2015-2017 Cycle"**, which includes the amendments to the standards within the annual improvement process. The main amendments involve:

  - **IFRS 3—"Business Combinations" and IFRS 11—"Joint Arrangements"**: the amendment clarifies that when an entity gains control of a business that is a joint operation, it shall remeasure the interests previously held in this business. Conversely, this process is not envisaged in the event of a joint control.

  - **IAS 12—"Income Taxes"**: this amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for consistently with the transaction that generated the profit (income statement, OCI or equity).

  - **IAS 23—"Borrowing costs"**: the amendment clarifies that in the event of loans that are still in place after the reference qualifying asset is ready for use or sale, these amounts become part of the amounts used to calculate the borrowing costs.

4 Accounting standards (Continued)

The amendments are applicable as from January 1, 2019 but earlier application is permitted. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On February 7, 2018 the IASB published the document **"Plant Amendment, Curtailment or Settlement"**. The document clarifies how an entity should recognise a modification (i.e. a curtailment or a settlement) of a defined benefit plan. Modifications require that the entity updates its assumptions and remeasures net liabilities or assets related to the plan. These amendments clarify that, upon occurrence of this event, an entity uses updated assumptions to measure the current service cost and the interests for the rest of the reference period following the event. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On October 22, 2018 the IASB published the document **"Definition of a Business (Amendments to IFRS 3)"**. The document supplies some clarifications on the definition of the business for the purposes of a correct application of the IFRS 3 standard. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to determine a business in the presence of an integrated set of activities/processes and assets. However, in order to be considered a business, a set of activities/processes and assets must include, at a minimum, an input and a substantive process that significantly contribute to the ability to create outputs. To this purpose, the IASB replaced the wording "ability to create output" with "ability to contribute to create outputs" to clarify that a business can exist also without the presence of all inputs and processes necessary to create an output.

  The amendment has also introduced a concentration test, optional for the entity, that permits an assessment of whether an acquired set of activities and assets is not a business. If the test outcome is positive, the acquired set of activities/processes and assets is not a business and the standard does not require further assessments. If the test outcome is negative, the entity shall carry out further analyses to determine whether the acquired activities/processes and assets is a business. To this purpose, the amendment added a number of illustrative examples to the IFRS 3 standard in order to help entities understand the practical application of the new definition of business in specific cases. Amendments are applicable to all business combinations and subsequent acquisitions of assets, as from January 1, 2020 but early application is allowed.

  While considering that this amendment will be applied on the new acquisition transactions that will be concluded as from January 1, 2020, any effect will be recognised in the consolidated financial statements ended after this date.

- On October 31, 2018, the IASB published the document **"Definition of material (Amendments to IAS 1 and IAS 8)".** This document introduced an amendment in the definition of "material" included in the IAS 1—Presentation of Financial Statements and IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims at specifying the definition of "material" and introduces the concept of "obscured information" together with the concepts of omitted or misstated information, already included in the two amended standards. The amendment clarifies that an information is "obscured" when it is described in a manner that the effect for the readers of a financial statement would be similar to the effect created by an omitted or misstated information.

  The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

- On September 11, 2014, the IASB published an amendment to **IFRS 10 and IAS 28—"Sales or Contribution of Assets between an Investor and its Associate or Joint Venture".** The document was published for the purposes of resolving the current conflict between IAS 28 and IFRS 10. In accordance with provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associate in exchange for a share capital quota of the latter is limited to the quota retained in the joint venture or associate by other investors which are external to the transaction. Conversely, the standard IFRS 10 provides for the booking of the entire profit or loss in

4 Accounting standards (Continued)

the case of loss of control of a subsidiary, even if the entity continues to retain a non-controlling quota and including in this case even the transfer or conferment of a subsidiary to a joint venture or associate. The amendments introduced envisage that in the sale or transfer of an asset or a subsidiary company to a joint venture or associate, the measurement of a profit or loss to be recognised in the financial statements of the transferring/receiving company will depend on whether the assets or the subsidiary sold or transferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary company sold or transferred represent a business, the entity shall recognise the profit or loss on the entire portion previously held. Conversely, the portion of profit or loss, related to the interests which is still held by the entity, should be derecognised.

At the moment, the IASB has suspended the application of this amendment. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group consolidated financial statements.

4.30 SEASONALITY OF GROUP OPERATIONS

The activities of the Company are not subject to seasonality.

Consolidated statement of financial position

A) Non-current assets

5 Property, plant and equipment

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Property, plant and equipment	37,467,016	38,304,315	(837,299)

Description	31.12.2018			31.12.2017		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
			(in Euros)			
Land and buildings	19,255,889	1,416,900	17,838,989	19,166,681	790,343	18,376,338
Plant and machinery	7,244,505	3,269,496	3,975,008	6,527,603	2,153,622	4,373,981
Industrial and commercial equipment	72,330,481	60,573,232	11,757,249	68,666,754	56,529,307	12,137,447
Other assets	5,384,327	1,913,709	3,470,618	4,854,874	2,006,515	2,848,359
Leasehold improv.	1,537,634	1,112,527	425,107	1,703,841	1,135,697	568,144
Total	**105,752,835**	**68,285,865**	**37,467,016**	**100,919,754**	**62,615,484**	**38,304,315**

5 Property, plant and equipment (Continued)

The changes in property, plant and equipment in the year were as follows:

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improv.	Total
			(in Euros)			
Balance as of 01.01.2017	**9,614,167**	**4,497,811**	**8,738,280**	**2,614,307**	**803,080**	**26,267,690**
Exchange difference effect	(382,947)	(3,955)	(41,629)	(27,258)	(25,877)	(481,665)
Additions	9,770,379	674,737	5,215,821	745,798	129,380	16,536,115
Disposal	0	(730)	(704,009)	(153,733)	(84,882)	(943,355)
Decrease/(Increase) acc. depreciation	0	730	582,734	103,018	38,810	725,292
Depreciation	(625,261)	(997,509)	(4,349,711)	(730,925)	(299,288)	(7,002,694)
Change in consolidation scope	0	202,897	2,695,960	297,153	6,922	3,202,933
Balance as of 31.12.2017	**18,376,338**	**4,373,981**	**12,137,447**	**2,848,359**	**568,144**	**38,304,315**
Exchange difference effect	(493,515)	(10,252)	(24,641)	(11,476)	(18,660)	(558,544)
Additions	582,724	620,638	4,969,777	1,498,409	146,376	7,817,923
Disposal	256,379	(47,136)	(1,300,888)	(1,125,392)	(270,249)	(2,487,285)
Decrease/(Increase) acc. depreciation	(60,497)	27,917	1,127,898	1,138,553	171,106	2,404,977
Depreciation	(626,558)	(1,000,334)	(5,164,046)	(957,628)	(171,610)	(7,920,177)
Change in consolidation scope	(195,882)	10,194	11,702	79,793	0	(94,193)
Balance as of 31.12.2018	**17,838,989**	**3,975,008**	**11,757,249**	**3,470,618**	**425,107**	**37,467,016**

All property, plant and equipment are operational and effectively utilised in company operations and no obsolete assets requiring replacement in the short-term, which were not depreciated exist.

Tangible assets reported a total increase of Euro 7.8 million, mainly due to:

- the increase in “Industrial and commercial equipment”, equal to Euro 5.0 million, attributable to the purchase of new computers for in-house use while the decreases, equal to Euro 1.3 million, are due to the disposal and/or donation of obsolete computers;
- the increase in “Other assets”, amounting to Euro 1.5 million, refers to the purchase of new furniture and furnishings.

The “Land and buildings” item results, in the amount of Euro 9.2 million, from the entry, in the previous year, of two real estate agreements with Mediocredito Italiano S.p.A..

The following table shows the breakdown of leased assets included in item “Land and buildings” as of December 31, 2018:

Description	2018
	(in Euros)
Historical cost of leased assets	9,746,571
Accumulated depreciation of leased assets	(590,701)
Total	**9,155,870**

This transaction referred to the financial lease of a real estate property in Turin, in the area of former Officine Savigliano. The transfer of the two contracts was formalised with Notary Deed of February 23, 2017, in particular:

- the contract no. 890731 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is expected on December 23, 2023;

5 Property, plant and equipment (Continued)

- the contract no. 890732 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is expected on December 23, 2023.

Pursuant to IAS 17, the two properties under finance leases are recorded at cost under tangible fixed assets, with a counter-entry in the financial payable to the lessor, and are depreciated according to the useful life of the asset and consistently with the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract.

6 Intangible assets

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Intangible assets	545,300,808	569,268,687	(23,967,879)

Description	31.12.2018			31.12.2017		
	Historical cost	Accumulated amortisation	Net value	Historical cost	Accumulated amortisation	Net value
			(in Euros)			
Development costs	7,882,026	2,546,745	5,335,280	2,295,466	958,830	1,336,636
Industrial patents and intellectual property	39,865,674	32,280,867	7,584,807	35,376,980	27,366,706	8,010,274
Conc., licences and trademarks	453,061,619	17,448	453,044,171	453,060,691	9,916	453,050,775
Work in progress	4,347,694	0	4,347,694	6,288,879	0	6,288,879
Other assets	138,799,793	63,810,936	74,988,856	141,954,918	41,372,796	100,582,122
Total	**643,956,805**	**98,655,997**	**545,300,808**	**638,976,936**	**69,708,248**	**569,268,687**

The changes in intangible assets are detailed as follows:

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Other assets	Total
			(in Euros)			
Balance as of 01.01.2017	**1,948,133**	**5,419,370**	**453,053,256**	**1,112,873**	**22,668,927**	**484,202,558**
Exchange difference effect	(632)	(322,749)	0	0	0	(323,381)
Additions	6,835	6,061,443	4,124	5,176,007	4,271,032	15,519,442
Disposal	(6,152)	0	(1,656)	0	(329,086)	(336,894)
Decrease/(Increase) acc. amortisation	0	(0)	0	0	(72)	(73)
Amortisation	(613,598)	(3,842,576)	(6,447)	0	(22,509,765)	(26,972,386)
Change in consolidation scope	2,051	694,786	1,499	0	96,481,087	97,179,422
Balance as of 31.12.2017	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**100,582,122**	**569,268,687**
Exchange difference effect	(318)	(189,308)	14	0	(278,146)	(467,759)
Additions	5,391,584	4,889,034	913	3,432,172	6,587,969	20,301,672
Disposal	0	(174,018)	0	(5,373,358)	(2,070,913)	(7,618,288)
Decrease/(Increase) acc. amortisation	0	41,121	0	0	(685,795)	(644,674)
Amortisation	(1,388,853)	(5,001,181)	(7,531)	0	(29,146,381)	(35,543,946)
Change in consolidation scope	(3,769)	8,885	0	0	0	5,116
Balance as of 31.12.2018	**5,335,280**	**7,584,807**	**453,044,171**	**4,347,694**	**74,988,856**	**545,300,808**

6 Intangible assets (Continued)

Intangible assets reported a total increase of Euro 20.3 million, mainly due to:

- the increase in item "Development costs", equal to Euro 5.3 million, is mainly related to:
  - the product denominated "Net@Suite Cloud Edition" of the Energy and Utilities area, related to the realization of the internally developed Cloud platform, in use as from January 1, 2018 and with a 5-year amortisation, that amounts to Euro 2,128 thousand;
  - the product "CPM Corporate Performance Management" of the Finance area, in use as from October 1, 2018 and with a 3-year amortisation, that amounts to Euro 1,452 thousand;
  - a system to support processes in intensive care units, named "ICU Intensive Care Unit", in the Health area, in use as from August 1, 2018, with a 5-year amortisation, that amounts to Euro 1,242 thousand;
  - the product "eXHC eXtendede Fome Care", a support system of integration processes between hospital and local structures, in use as of July 1, 2018 with a 5-year amortisation, that amounts to Euro 292 thousand;
  - the project SEA, Euro 258 thousand, with a 3-year amortisation.
- the item "Industrial patents and intellectual property" increased by Euro 4.8 million, including Euro 2.9 million related to the purchase of software programmes and Euro 1.3 million related to the products identified within the above-mentioned Purchase Price Allocation of the purchase price of Infogroup S.p.A.;
- the item "Assets in progress" reported an increase of Euro 3.4 million for in-house investments for the realization of new solutions.

The item "Concessions, licences and trademarks" includes the Trademark, amounting to Euro 453 million, including deferred tax assets (equal to around Euro 126 million) referring to the fair value of the Engineering brand. This value emerged, in the previous year, upon completion of the accounting activities connected with the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A. and following reverse merger of Mic Bidco S.p.A. in Engineering Ingegneria Informatica S.p.A..

Description	**As of December 31, 2017**	**Change in consolidation scope**	**Write-downs**	**As of December 31, 2018**
		(in Euros)		
Gross value—Trademark	453,039,362	0	0	453,039,362
Acc. impairment losses	—	—	—	—
Net value—Trademark	**453,039,362**	**0**	**0**	**453,039,362**

The brand value recorded under intangible fixed assets was determined through an estimate of the fair value of the assets, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control. The method used to estimate the value of the trademark was chosen by taking account of the purposes of the transaction and the features of the intangible asset itself. In particular, in line with the literature and the best professional practice, the value of the trademark owned by Engineering was determined by using the income-based method, based on the discounting of future benefits attributable to the intangible asset subject to value appraisal.

The trademark is a right which is legally protected through the registration at the competent authorities. By reason of the fact that this right has no legal, contract, competitive or economic term, which limits its useful life, the same is classified as indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36.

The impairment test, performed on December 31, 2017, confirmed that no impairment was needed on the value of the trademark disclosed in the consolidated financial statements. In the first half of 2018, the Group's performance, in terms of operating results, and forecasts for the entire 2018, remained substantially unchanged with respect to forecasts included in the 2018 budget and assumptions for the following years developed by the corporate management. Therefore, there are no indicators that the trademark was impaired in 2018.

6 Intangible assets (Continued)

The item “Other assets” recorded a total increase of Euro 6.6 million, primarily due to the identification and measurement at fair value, pursuant to IFRS 3, of assets and liabilities of the following companies:

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Infinity Technology Solutions S.p.A.. The measurement at fair value of assets acquired and liabilities undertaken of Infinity Technology Solutions S.p.A. resulted in the identification of the “Contract portfolio” and the “Customer Relation Value”, as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 1,182 thousand (in addition to Euro 458 thousand of deferred tax liabilities) and Euro 328 thousand (in addition to Euro 127 thousand of deferred tax liabilities). The residual period of amortisation is 2 years and 1 year, respectively;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Infogroup—Informatica e Servizi Telematici S.p.A.. The measurement at fair value of assets acquired and liabilities undertaken of Infogroup—Informatica e Servizi Telematici S.p.A. resulted in the identification of the “Contract portfolio” and the “Customer Relation Value”, as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 35,350 thousand (in addition to Euro 13,679 thousand of deferred tax liabilities) and Euro 11,113 thousand (in addition to Euro 4,300 thousand of deferred tax liabilities). The residual period of amortisation is 4 years and 2 years, respectively;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Sogeit Solution S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Sogeit Solution S.r.l. resulted in the identification of the “Contract portfolio”, as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 1,735 thousand (in addition to Euro 671 of deferred tax liabilities). The residual period of amortisation is 1 year;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary IT Soft US Inc.. The measurement at fair value of assets acquired and liabilities undertaken of IT Soft US Inc. involved the definition of the “Contract Portfolio” and the “Customer Relation Value”, as per income assessment discounted (WACC 10.52%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 4,789 thousand (in addition to Euro 1,853 thousand of deferred tax liabilities) and Euro 11,015 thousand (in addition to Euro 4,262 thousand of deferred tax liabilities). The residual period of amortisation is 4 years for both;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Bekast It Consulting GmbH. The measurement at fair value of assets acquired and liabilities undertaken of Bekast It Consulting GmbH resulted in the identification of the “Contract portfolio”, as per income assessment discounted (WACC 9.8%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 397 thousand (in addition to Euro 105 of deferred tax liabilities). The residual period of amortisation is 7 years;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary INF.OR. S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of INF.OR. S.r.l. resulted in the identification of the “Contract portfolio” and the “Customer Relation Value”, as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 349 thousand (in addition to Euro 135 thousand of deferred tax liabilities) and Euro 2,114 thousand (in addition to Euro 818 thousand of deferred tax liabilities). The “Contract portfolio” was entirely amortised over the year, while the residual amortisation period of the “Customer Relation Value” was equal to 4 years;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Fair Dynamics. The measurement at fair value of assets acquired and liabilities undertaken

6 Intangible assets (Continued)

of Fair Dynamics resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 9.04%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 63 thousand (in addition to Euro 22 thousand of deferred tax liabilities) and Euro 444 thousand (in addition to Euro 172 thousand of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year, while the residual amortisation period of the "Customer Relation Value" was equal to 4 years;

- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Sofiter Tech S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Sofiter Tech S.r.l. resulted in the identification of the "Contract portfolio", as per income assessment discounted (WACC 9.04%) by the prospective residual margins resulting from such orders. The amount calculated at the acquisition date was equal to Euro 685 thousand (in addition to Euro 265 of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year;
- allocation process, at the acquisition date of control, of goodwill emerged upon consolidation of subsidiary Pixys S.r.l.. The measurement at fair value of assets acquired and liabilities undertaken of Pixys S.r.l. resulted in the identification of the "Contract portfolio" and the "Customer Relation Value", as per income assessment discounted (WACC 10.72%) by the prospective residual margins resulting from such orders. The amount, determined at the acquisition date, is equal to Euro 111 thousand (in addition to Euro 43 thousand of deferred tax liabilities) and Euro 933 thousand (in addition to Euro 361 thousand of deferred tax liabilities). The "Contract portfolio" was entirely amortised over the year, while the residual amortisation period of the "Customer Relation Value" was equal to 4 years.

The book value recorded under fixed assets was determined through an estimate of the fair value of the assets, in accordance with IFRS 3, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As provided for by IFRS 3, when the completion of accounting assets connected to measurements at fair value of assets acquired and liabilities undertaken occur after the year (in any case within 12 months from acquisition), the amounts were reflected retrospectively upon acquisition, with the related amendments and supplements of equity amounts already provisionally included in the consolidated financial statements of the previous year.

6 Intangible assets (Continued)

The average residual amortisation period is as follows:

Description	Amortisation, remaining years	Remaining amount
		(in Euros)
Other assets	1	51,816,939
Other assets	4	808,399
Other assets	5	21,470,473
Tot. Other assets		**74,095,810**
Development costs	1	5,741
Development costs	2	5,693
Development costs	3	3,021
Development costs	4	1,109
Development costs	5	5,319,717
Tot. Development costs		**5,335,280**
Industrial patents and intellectual property	1	381,689
Industrial patents and intellectual property	2	252,831
Industrial patents and intellectual property	3	1,573,025
Industrial patents and intellectual property	4	399,269
Industrial patents and intellectual property	5	4,977,991
Tot. Industrial patents and intellectual property		**7,584,806**
Conc., licences and trademarks	indefinite useful life	453,029,458
Conc., licences and trademarks	2	96
Conc., licences and trademarks	3	12,588
Conc., licences and trademarks	4	1,955
Conc., licences and trademarks	5	75
Tot. Conc., licences and trademarks		**453,044,171**
Total Intangible assets		**540,060,068**

7 Goodwill

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Goodwill	67,365,314	60,844,715	6,520,598

Changes in goodwill, compared to the previous year, divided by Cash Generating Units, is as follows.

Description	31.12.2017	Changes in consolidation scope	Exch. rate difference	31.12.2018
		(in Euros)		
Goodwill Finance	16,344,694			16,344,694
Goodwill—Energy & Utilities	9,662,147			9,662,147
Goodwill—Telco & Media	6,819,242			6,819,242
Goodwill—PAL, Health and Taxes	13,589,040	5,600,941		19,189,981
Goodwill—Other	14,429,592	999,999	(80,341)	15,349,250
Total	**60,844,715**	**6,600,940**	**(80,341)**	**67,365,314**

Goodwill as of December 31, 2018, recorded in the consolidated financial statements of the Engineering Group, amounted to Euro 67,365,314.

7 Goodwill (Continued)

As provided for by IFRS 3, following the completion of accounting assets connected to measurement at fair value of assets acquired and liabilities undertaken and the consequent retrospective adjustment of amounts, goodwill as of December 31, 2017 (Euro 129,985,817) was restated for an amount equal to Euro 60,844,715. In particular the retrospective change is attributable:

- in the amount of Euro -47,470 thousand, to the final allocation of goodwill, in relation to Infogroup S.p.A. (goodwill generated from the transaction is entirely allocated);
- in the amount of Euro -15,804 thousand, to the outcome of the final allocation of goodwill related to the company IT Soft US Inc. (residual goodwill at the date of these financial statements, equal to Euro 798 thousand);
- in the amount of Euro -731 thousand, to the outcome of the final goodwill related to the company Sofiter Tech S. r.l. (goodwill at the date of these financial statements is entirely allocated);
- in the amount of Euro -537 thousand, to the outcome of the final allocation of goodwill related to the company Fair Dynamics Consulting GmbH (residual goodwill at the date of these financial statements is entirely allocated);
- in the amount of Euro -292 thousand, to the outcome of the final allocation of goodwill related to the company Bekast IT Consulting GmbH (residual goodwill is equal to Euro 441 thousand);
- in the amount of Euro -1,735 thousand, to the outcome of the final allocation of goodwill related to the company Sogeit Solutions S.r.l. (residual goodwill is equal to Euro 3,565 thousand);
- in the amount of Euro -1,516 thousand, to the outcome of the merger into Engineering Ingegneria Informatica S.p.A. and final allocation of goodwill related to the company Infinity Tecnology Solutions S.p.A. (goodwill at the date of these financial statements is entirely allocated);
- in the amount of -1,055 thousand, to the outcome of the merger into MHT S.r.l. and final allocation of goodwill related to the company Pyxis S.r.l. (goodwill is entirely allocated).

Goodwill recognised during the year is equal to Euro 6,600,940.

- in the amount of Euro 2,701 thousand, to the final allocation of goodwill, in relation to INF.OR. S.r.l. in Municipia. This goodwill was allocated to the corresponding CGU;
- in the amount of Euro 2,018 thousand, in relation to the purchase transaction of the company Icraft GmbH, occurred on June 1, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 697 thousand, to the purchase transaction of the company Icode GmbH, occurred on June 1, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 185 thousand, to the purchase of the company LG-NET S.r.l. on July 10, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 800 thousand, to the purchase transaction of the company EuroAMS d.o.o., occurred on February 28, 2018, as described in Note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 600 thousand, to the purchase occurred, through awarding by competitive tender, of the business unit of the company Sofiter Tech S.p.A., in liquidation, by the company Sofiter Tech S.r.l.;
- in the amount of Euro -400 thousand, following the write-down of the business unit of the company SP Sapiens S.r.l. acquired by the Parent Company.

The 2018 exchange rate differences related to goodwill amounted to around Euro -80 thousand and refer to the goodwill of Dynpro Systemas S.A., as the value in local currency remained unchanged.

The analysis was performed to determine the goodwill recoverable value, which was allocated to Cash Generating Units (CGU) to which it is related.

7 Goodwill (Continued)

The impairment test, made on December 31, 2018 on the goodwill allocated to the Cash Generating Units (CGU), to which goodwill is related, confirmed that there is no need for write-downs of the value disclosed in the financial statements. In 2019, the Group performance, in terms of operating results, remained substantially unchanged with respect to forecasts included in the 2019 budget and assumptions for the following years developed by the corporate Management. Therefore, there are no indicators that goodwill was impaired in 2018.

CGU is defined as an asset or small group of assets that generate incoming cash flows that are widely independent from the incoming cash flows resulting from other assets or group of assets. The CGUs were determined based on the market segments and the single operating investees, consistently with the corporate management view in terms of monitoring of results and economic planning.

An analysis of the total value of goodwill was made as per the IAS 36 and IFRS 3 international accounting standards. The value of the goodwill as of December 31, 2018, tested for impairment, was Euro 67,365,314, as described hereunder.

Description	**31.12.2018**
	(in Euros)
Goodwill Finance	16,344,694
Goodwill—Energy & Utilities	9,662,147
Goodwill—Telco & Media	6,819,242
Goodwill—PAL, Health and Taxes	19,189,981
Goodwill Dynpro Systemas S.A.	677,533
Goodwill OverIT S.p.A.	1,854,482
Goodwill Nexen S.p.A.	410,814
Goodwill Engineering Excellence Center S.r.l.	345,175
Goodwill Engineering ITS AG	5,857,216
Goodwill Sofiter Tech S.r.l.	600,000
Goodwill EuroAMS d.o.o.	799,999
Goodwill IT Soft US Inc.	797,947
Goodwill Sogeit Solutions S.r.l.	3,565,173
Goodwill Bekast IT Consulting GmbH	440,912
Total	**67,365,314**

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows.

There is no evidence at the present date for the Group to proceed with any write-down.

It should be noted, if still necessary, that the recoverable value of the CGUs was prudently estimated and in compliance with the relevant accounting standard and in line with IFRS measurement practices.

For the identification of the recoverable value—the “value in use” of the CGUs—obtained through discounting, of the cash flows (DCF Model) extrapolated from the four-year business plans drawn up by the management of the divisions, the following elements were considered:

a) estimates of future cash flows generated by the entity;

b) expected possible changes in these cash flows in terms of the amount and time periods;

c) cost of money, comprising the current market risk-free rate of interest;

d) cost to assume the risk related to implicit uncertainty in the management of the CGU;

e) other risk factors concerning the operations of a specific market and changes over time.

7 Goodwill (Continued)

Hereunder are the main basic assumptions, used for impairment testing.

Description	Growth rate Terminal Value	WACC* post-tax 2018	WACC* post-tax 2017
		(in Euros)	
Finance	0.50%	7.76%	7.76%
Energy & Utilities	0.50%	7.76%	7.76%
Telco & Media	0.50%	7.76%	7.76%
PAL, Health and Taxes	0.50%	7.76%	7.76%
OverIT S.p.A.	0.50%	7.07%	7.63%
Nexen S.p.A.	0.50%	8.55%	8.30%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.76%
ITS Engineering AG	0.50%	6.46%	8.30%
Bekast IT Consulting GmbH	0.50%	6.46%	n.a.
IT Soft US Inc.	0.50%	8.86%	8.30%
Sogeit Solutions S.r.l.	0.50%	8.55%	8.30%
Dynpro Systemas S.A.	0.50%	10.67%	8.30%

* *Weighted Average Cost of Capital.*

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above were as follows:

- Risk free rate, equal to the average rate of 2018, supplied by Barclays and extrapolated by Bloomberg (> 2%);
- Equity Risk Premium, equal to the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The rate taken as a benchmark for assessments relates to 2018, supplied by Barclays and extrapolated by Damodaran (> 5%);
- Debt cost, equal to the average indebtedness cost (long and short term) of the Group > 1%;
- Beta unlevered equal to 1;
- LTG (Long Term Growth) equal to 0.5%.

For a WACC:

- of 7.76% for the CGU Finance, Energy & Utilities, Telco & Media, PAL Health and Taxes and EXC;
- of 7.07% for the OverIT S.p.A. CGU;
- of 8.55% for the Nexen S.p.A. CGU;
- of 6.46% for the ITS Engineering AG CGU;
- of 6.46% for the Bekast IT Consulting GmbH CGU;
- of 8.55% for the Sogeit Solutions S.r.l. CGU;
- of 8.86% for the IT Soft US Inc. CGU.

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted “free cash flow” and the Terminal Value itself.

To this purpose, it is worth noting that, to determine the WACC, the following was used:

- Risk free rate, equal to 2.59% when the gross yield of 5-year BTPs is equal to 2.35%
- Equity Risk Premium extracted by Damodaran equal to 5.96%.

As a consequence, the approach used included parameters of absolute prudence by using a high WACC compared to Group characteristics.

8 Other equity investments

Investment in associates measured at equity

The book value and portions of shareholders' equity related to investments in associates are shown hereunder. The data are taken from statutory financial statements approved by the Boards of the related companies.

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Equity investments	150,975	150,975	—

Changes in investments:

Investments	Value as of 31.12.2017	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2018
				(in Euros)			
In associates	150,975	—	—	—	—		150,975
Total	**150,975**	—	—	—	—		**150,975**

b) Associates

Equity investments in associates is as follows:

	City	Assets	Liabilities	Share Capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2018	%
					(in Euros)				
SI Lab—Calabria S.c.a.r.l.	Rende	38,379	25,557	30,000	12,822	13,652	(7,135)	7,200	+24
SI Lab—Sicilia S.c.a.r.l.	Palermo	35,845	2,410	30,000	33,435	15,944	1,150	3,525	+24
Consorzio Sanimed Group	Terni	0	0	0	0	0	0	3,000	+25
DST IT Services GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Unimatica S.p.A	Bologna	4,282,043	3,280,773	500,000	1,001,270	5,158,769	74,166	125,000	+25
Total								**150,975**	

Data of associates remained unchanged over the year.

9 Deferred tax assets

Deferred tax assets were recognised among assets both in the current period and in the previous period in so far, as their realisation as tax income is considered probable in the year in which these tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Deferred tax assets	23,186,256	32,251,670	(9,065,414)

9 Deferred tax assets (Continued)

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates (24.0% for IRES and based on regional rates for IRAP) and recorded in the entries shown in the table hereunder:

	31.12.2018		31.12.2017	
Description	**Amount of temporary differences**	**Tax effect**	**Amount of temporary differences**	**Tax effect**
		(in Euros)		
Provision to other prov. and charges	9,090,349	2,427,689	9,406,076	2,380,253
IAS amortisation/depreciation	3,075,787	571,971	2,762,972	478,588
Goodwill	433,717	120,249	540,825	150,078
Directors' fees	998,460	239,630	1,353,345	324,803
Bad debt provision	26,644,264	6,491,885	38,238,031	9,131,062
Provisions for risks	12,581,592	3,726,019	22,580,193	6,315,474
Leaving incentives	8,876,213	2,130,291	5,023,969	1,205,752
Finance lease	44,419	12,393	44,419	12,393
Tax losses	3,656,803	1,023,112	556,110	587,202
Adjustments for IFRS	3,245,204	905,412	3,220,185	898,432
Adjustments for IFRS IAS 19	15,056,437	3,613,545	13,344,048	3,206,891
Adjustments for IFRS 15	3,472,869	958,293		
Tax credit—Mic Bidco S.p.A. merger			26,157,965	6,277,912
Other	2,922,934	965,767	4,174,073	1,282,829
Total	**90,099,049**	**23,186,256**	**127,402,210**	**32,251,669**

The "Other" item relates essentially to the tax impact on provisions for invoices to be issued and to be received relating to the subsidiary company Engineering do Brasil, which will produce effects at statutory financial statement level on their relative payment according to tax regulations in force in Brazil.

Changes in deferred tax assets are detailed below:

Description	**Deferred tax assets**
	(in Euros)
Balance as of 01.01.2017	**21,968,822**
Exchange difference effect	(363,479)
Increase	16,839,038
Decrease	(8,169,615)
Change in consolidation scope	1,976,903
Balance as of 31.12.2017	**32,251,670**
Exchange difference effect	(474,129)
Increase	6,844,917
Decrease	(15,476,401)
Change in consolidation scope	40,199
Balance as of 31.12.2018	**23,186,256**

The decrease in deferred tax assets depends primarily on the item "Tax credit—Mic Bidco S.p.A. merger" and on the use of bad debt provision and the leaving incentives fund.

9 Deferred tax assets (Continued)

The following tables report the detail of tax assets.

Description	Bad debt provision	Tax credit Mic Bidco	Adjustments for IFRS IAS 19	Other temporary differences	Total
			(in Euros)		
Balance as of December 31, 2017	**9,131,062**	**6,277,912**	**4,105,323**	**12,737,372**	**32,251,669**
Impact on income statement	(2,639,177)	(6,277,912)	1,371,927	(2,118,371)	(9,663,533)
Impact on comprehensive income statement			598,120		598,120
Balance as of December 31, 2018	**6,491,885**	**0**	**6,075,370**	**10,619,001**	**23,186,256**

In particular, the item "Tax credit—Mic Bidco S.p.A. merger" refers to tax positions, recognised in the previous year, of the company Mic Bidco S.p.A., merged into Engineering Ingegneria Informatica S.p.A. due to the reverse merger. These positions are subject to anti evasion provisions as per Article 172, paragraph 7, of the T.U.I.R. (Consolidated Act on Income Taxes), for which an appeal for cancellation was filed, and refer to:

- tax losses of the merged company as of December 31, 2016 and further tax losses accrued as from January 1 to May 23, 2017, effective date of the merger;
- temporarily non-deductible interest expense as of December 31, 2016 and further temporarily non-deductible interest expense accrued over the period from January 1 to May 23, 2017;
- "ACE surplus" as of December 31, 2016 and further "ACE surplus" generated in Mic Bidco S.p.A. over a period from January 1 to May 23.

Following the reply to the claim by the Inland Revenue Office, which accepted the possibility of fully carrying forward the above-mentioned tax exceeding amounts, the Company released the deferred tax assets recorded as of December 31, 2017, for a total amount of Euro 6.2 million, and redetermined the tax burden for the taxable period.

The increase in the year is primarily related to adjustments resulting from the application of the IFRS 15 standard, as from January 1, 2018, as well as to adjustments for the measurement of post-employment benefits according to requirements of IAS 19.

10 Other non-current assets

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other non-current assets	5,560,690	5,794,572	(233,882)

As better described later on, the item, reporting a negative change for the period of Euro 233,882, includes investments in other non-consolidated companies, non-current financial assets and residual assets, as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Investments in other companies	2,960,207	2,384,117	576,090
Non-current financial assets	2,600,483	3,402,095	(801,612)
Other		8,360	(8,360)
Total	**5,560,690**	**5,794,572**	**(233,882)**

10 Other non-current assets (Continued)

a) Investments in other companies

Changes in the investments in other non-consolidated companies

The changes in investments in other non-consolidated companies are broken down as follows:

Investments in other companies	Value as of 31.12.2017	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2018
				(in Euros)			
Banca Popolare di Credito e Servizi	7,747						7,747
Banca Credito Cooperativo Roma	1,033						1,033
Global Riviera	1,314						1,314
Tecnoalimenti S.c.p.a.	65,832						65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	36,314		201,090				237,404
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683						34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000						6,000
Consorzio Cefriel	191,595						191,595
Consorzio Abi Lab	1,000						1,000
Investment Ce.R.T.A.	360						360
Consorzio Arechi Ricerca	5,000						5,000
Investments in other companies	9,000						9,000
EHealthnet S.c.a.r.l.	10,800						10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000						20,000
Caf Italia 2000 S.r.l.	260						260
M2Q S.c.a.r.l.	3,000						3,000
SedApta S.r.l.	750,000						750,000
Consel S.r.l.	382,486						382,486
Istella S.r.l.	375,000		375,000				750,000
Investment in Novito Acque S.r.l.	100,000						100,000
Ekovision	300,000						300,000
Palantir Digital Media S.r.l.	500						500
Seta S.r.l.	82,192						82,192
Total	**2,384,117**		**576,090**				**2,960,207**

b) Non-current financial assets

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Tax receivables and taxes paid abroad	1,820,819	2,140,641	(319,822)
Security deposits	769,664	764,350	5,314
Other	10,000	497,104	(487,104)
Total	**2,600,483**	**3,402,095**	**(801,612)**

10 Other non-current assets (Continued)

Non-current financial assets relate to:

- tax receivables and taxes paid abroad refer to taxes paid abroad in relation to assets invoiced and fiscally recoverable;
- security deposits are on rented real estate properties and sundry utilities;
- the item "Other" include loans to other companies and receivables from the Inland Revenue office.

B) Current assets

11 Inventories

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Inventories	55,440	197,738	(142,298)

Inventories include goods and product usage licences purchased and held for resale.

12 Customer contract assets

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Customer contract assets	167,359,263	150,323,955	17,035,309

Customer contract assets, disclosed net of advance payments, are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Customer contract assets	150,323,955	143,901,388	6,422,567
Exchange difference	(2,308,856)	(2,962,549)	653,693
Change in consolidation scope	—	5,690,351	(5,690,351)
Adjustments and changes in customer contract assets	2,448,554	(2,065,121)	4,513,674
Costs incurred plus profits booked according to percentage completion net of losses	497,817,744	410,931,342	86,886,402
Invoicing of work in progress related to customer contract assets	(480,922,134)	(405,171,456)	(75,750,678)
Total	**167,359,263**	**150,323,955**	**17,035,308**

Customer contract assets concern projects in the course of completion based on long-term contracts. They include, but are not limited to, adjustments for projects for which critical issues emerged as regards possible realisable value. The related amount is the best estimate made based on the information available to us.

13 Deferred contract costs

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Deferred contract costs	23,333,398	—	23,333,398

The Group recognised deferred contract costs, related to the obtaining of the contract represented by transition and start-up costs for Euro 4,023,189. These costs are directly attributable to the performance of the service offered and, in particular, they are referred to as transition costs or costs related to the specific training of personnel before the execution of a particular order (start-up costs).

The Group also recognised contract costs, related to the fulfilment of the contract and amounting to Euro 19,310,209. They are direct costs charged to orders, which include the purchase of materials from third parties, external workforce and personnel costs.

13 Deferred contract costs (Continued)

The cost pertaining to the year 2018, determined based on the relation between revenues accrued for activities performed at the reporting date and the total revenues estimated until end of concession, amounted to Euro 573.9 thousand, for the so-called transition costs and start-up costs, amounting to Euro 18,571.5 thousand and related to the fulfilment of the contract.

14 Trade receivables

The book value of trade receivables and other receivables is shown at amortised cost and the value approximates the fair value. The value refers to receivables from banking institutes, utilities, industry, services, Public Administration and companies operating in the telecommunications market.

The type of Group operations justifies the high amounts of receivables such as the proportion due from Public Administration, contractual durations, the nature of the entity and the events such as the testing of projects. Trade receivables are all due within twelve months.

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Trade receivables	568,087,727	550,834,537	17,253,190

The breakdown is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Customers	556,694,403	532,353,951	24,340,452
Associates	—	73,376	(73,376)
Others	11,393,324	18,407,210	(7,013,886)
Total	**568,087,727**	**550,834,537**	**17,253,190**

The Group applies the simplified approach of IFRS 9 to measure the expected credit loss on all trade receivables and assets resulting from customer contracts.

In order to determine the expected credit loss, trade receivables were initially grouped by counterparty (third parties and Public Administration) and then, for receivables from third parties only, by overdue days. Customer contract assets refer to invoices to be issued for work in progress, and feature substantially the same risks as trade receivables for the same type of contracts.

The Group therefore concluded that the expected credit loss for trade receivables represents a reasonable approximation of losses on customer contract assets.

Rates on expected credit loss are based on collection terms over a period of 545 days prior to January 1, 2018, and the corresponding losses on historical receivables during this period. Historical loss rates are adjusted to reflect the current and future macroeconomic condition affecting the customers' ability to repay receivables. The Group has defined the default average rate of Italian companies for the 2018-2019 two-year period, as relevant factor in relation to receivables to third parties, while it recognised the specific risk of the country as primary factor for receivables from the Public Administration. These factors were used to adjust the recognised historical loss rates.

On this base, the bad debt provision, to be jointly written-down as of January 1, 2018, was determined as follows. Based on the above-mentioned model, no significant impact is reported that require the adjustment of the bad debt provision as of December 31, 2018.

14 Trade receivables (Continued)

Expected Credit Loss—Receivables to third parties

31.12.2017	0-30 days	31-90 days	91-120 days	121-180 days	181-365 days	366-545 days	Over 545 days	Total
				(in Euros)				
Rate of Expected Credit Loss	0.02%	0.08%	0.18%	0.24%	0.40%	0.95%	2.18%	1.98%
Trade receivables from third parties and jointly impaired	188,529,862	12,356,541	2,184,491	3,211,492	13,165,358	1,461,612	14,660,317	235,569,673
Bad debt provision	**33,421**	**9,524**	**3,901**	**7,557**	**52,788**	**13,851**	**319,917**	**440,959**

Expected Credit Loss—Public Administration

	31.12.2017
	(in Euros)
Rate of Expected Credit Loss	0.08%
Trade receivables from Public Administration and jointly impaired	56,087,316
Bad debt provision	**46,482**

a) Customers

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Receivables on invoices issued	469,074,342	430,113,557	38,960,785
of which overdue	*216,075,060*	*225,347,976*	*(9,272,916)*
Invoices to be issued	169,880,983	183,724,738	(13,843,755)
Credit notes to be issued	(374,939)	(247,427)	(127,512)
Bad debt provision	(39,322,655)	(46,443,440)	7,120,786
Provision for interest in arrears	(42,563,328)	(34,793,477)	(7,769,852)
Total	**556,694,403**	**532,353,951**	**24,340,452**

The "Receivables from customers" item is equal to Euro 556,694,403, net of a bad debt provision amounting to Euro 39,322,655, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 42,563,328) to cover any possible future losses related to the aforesaid entry.

Trade Receivables	31.12.2018
	(in Euros)
Allowance for bad debt as of December 31, 2017—IAS39	**46,443,440**
Restated amounts IFRS 9—retained earnings	487,441
Opening balance of allowance for bad debt January, 1 2018—IFRS 9	46,930,881
Bad debt provisions of the period	3,403,934
Write-off of receivables	(11,012,160)
Allowance for bad debt as of December 31, 2018	**39,322,655**

It is noted that, as of December 31, 2018, the Group factored trade receivables for a total amount of Euro 155.8 million (Euro 191.4 million as of December 31, 2017). Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore written off from the Assets in the Consolidated Statement of Financial Position, according to the consideration received by factoring companies.

Receivables from customers include the exposure as of December 31, 2018, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), equal to Euro 135,980,883 (gross of the bad debt provision amounting to Euro 11,568,767 and provision for interest on arrears amounting to Euro 41,680,773), in addition to Euro 14,526,757 of construction contracts, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation ("SISEV" or "Venture") on May 21, 2007 and expired on December 22, 2013.

14 Trade receivables (Continued)

In the mutual interest, on October 9, 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an "agreement" which regulated the repayment of SISEV receivables, indicating the final repayment date on December 31, 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections were arisen with respect to the correct performance of services rendered.

Given the non-payments of Sicilia Digitale S.p.A., on June 26, 2013, SISEV filed a petition for an order of payment with the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,052 thousand (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Moreover, to safeguard its rights, on July 18, 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia Digitale S.p.A., up to the entire amounts receivable accrued by the company. On November 10, 2014, the Court of Palermo rejected SISEV's request while underlying that *"given that, besides Sicilia e-Servizi S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia e-Servizi Venture S.c.r.l. -... Omitted ... there is no urgency (periculum in mora) ..."*. In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

As regards Sicilia Digitale S.p.A.'s judgement of opposition to the first order decree, deposited on September 3, 2013, obtained in the amount of around Euro 30,052 thousand, the Judge ordered an Office Technical Expertise aimed at evaluating, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On December 17, 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,068 thousand was assessed in favour of Venture. Therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346 thousand). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets object of the payment claim were divided according to the existence or non-existence of approvals by the management of Sicilia Digitale S.p.A. and/or the Region). After filing the supplementary expertise, as a result of the specification of the conclusion to the involved parties, with sentence of August 30, 2018, the Judge also ordered Sicilia Digitale S.p.A. to pay Euro 19,508 thousand in favour of SISEV, in addition to interests, starting from, and at the rate shown in the order decree. The Judge therefore relied on the opinions of the experts, included in the supplementary expertise, and assigned to SISEV only the services certified by SISE's managers. SISEV proposed a timely objection to be filed against the above-mentioned sentence.

In addition to the above, on February 18, 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on October 9, 2012 by the Sicilian Region, Sicilia Digitale S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia Digitale S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated October 9, 2012 was invalid, the service contracts and related orders were null and void, Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of June 8, 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises.

On May 30, 2018, the Office Technical Experts, designated by the Court of Palermo, transmitted to the parties and related experts the draft of the expertise. Given the extent of this document, the Company firstly asked the Judge to postpone the terms to file objections to the expertise. The Judge upheld the request and granted the extension by assigning to the parties the final term of September 30, 2018 to file the respective remarks on the expertise. The experts were assigned a further term of October 30, 2018 to file the conclusive

14 Trade receivables (Continued)

report, together with remarks of the parties. The Court fixed the hearing on November 8, 2018. The above-mentioned final report highlights (i) an assessed receivable of SISEV for the amount of only Euro 4,198 thousand, against the request of Euro 79,675 thousand and (ii) supplies the Judge, as possible alternative evaluation criterion, a second calculation stating an overall amount receivable of Venture for Euro 26,157 thousand. The case was adjourned to December 12, 2019 for the evaluation of the experts. The Directors stated that, deeming the expertise materially omitting and misstating, a new request to renew the experts is being filed.

It should be noted that, in addition to the aforesaid, no specific critical issues or formal claims related to the correct execution of services and good quality of products delivered by SISEV were highlighted by Sicilia Digitale S.p.A. and/or the Sicilian Region. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV. To date, it is therefore deemed that the defence of the summoned parties are not such to affect the evaluation on the collectability of receivables in favour of SISEV.

Given the correctness of credit lines and the correct execution of services, after assessing that the expertise drawn up by the experts and concerning the writ of summons to obtain the payment of receivables amounting to around Euro 79,675 thousand, is materially omitting and misstating, the Directors, supported by the opinion of the legal advisers, and after performing the adequate checks, deem that SISEV's amount receivables from Sicilia Digitale S.p.A. are payable.

In any case, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and of the objections filed in by Sicilia Digitale S.p.A. and the Sicilian Region, in its financial statements the subsidiary SISEV recognised the interest set out by law pertaining to the year under evaluation (around Euro 7.8 million) in the income statement and under item financial income, in addition to the amount already recognised until December 31, 2017 (for a total amount of around Euro 41.7 million) and allocated an amount of around Euro 7.8 million to the bad debt provision, in addition to the total amount of around Euro 53.2 million already allocated to the bad debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable. The Directors stated that this decision results from an estimate made after a careful evaluation of all information currently available.

Overdue receivables by sector are shown in the following table:

	Days falling due					
Description	**30**	**60**	**90**	**120**	**Over 120**	**Total as of 31.12.2017**
			(in Euros)			
Public Administration	6,713,637	2,538,952	4,702,041	1,623,434	85,741,482	101,319,547
Finance	26,878,082	2,224,209	1,214,768	582,375	3,334,083	34,233,518
Industry & Services	22,557,454	5,509,868	2,507,045	2,080,537	28,538,496	61,193,400
Telco & Utilities	12,954,248	4,871,851	1,082,130	1,456,995	8,236,286	28,601,511
Total	**69,103,422**	**15,144,881**	**9,505,985**	**5,743,341**	**125,850,347**	**225,347,976**

	Days falling due					
Description	**30**	**60**	**90**	**120**	**Over 120**	**Total as of 31.12.2018**
			(in Euros)			
Public Administration	12,219,887	5,238,880	4,688,750	553,648	84,115,694	106,816,860
Finance	5,652,414	4,368,519	471,317	1,153,515	8,863,391	20,509,156
Industry & Services	21,991,226	10,186,024	1,374,385	1,846,572	21,793,417	57,191,624
Telco & Utilities	17,576,819	4,785,080	719,999	672,874	7,802,647	31,557,419
Total	**57,440,346**	**24,578,503**	**7,254,452**	**4,226,609**	**122,575,150**	**216,075,060**

14 Trade receivables (Continued)

Receivables due for overdue invoices at the reporting date of 2018 financial statements, remained substantially unchanged compared to December 2017.

The closing balance of the bad debt provision for trade receivables was reconciled to the related opening balance as follows.

b) From associates

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Receivables on invoices issued	—	73,376	(73,376)
Total	**—**	**73,376**	**(73,376)**

c) From others

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Prepayments	1,935,586	2,739,638	(804,052)
Other	9,457,738	15,667,572	(6,209,834)
Total	**11,393,324**	**18,407,210**	**(7,013,886)**

Receivables from others principally relate to prepayments for rentals, insurance policies, software package maintenance costs, usage licenses and others.

15 Other current assets

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other current assets	60,314,237	72,606,806	(12,292,568)

The other current assets are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Current financial assets	16,828,709	25,957,180	(9,128,471)
Other	43,485,528	46,649,625	(3,164,097)
Total	**60,314,237**	**72,606,806**	**(12,292,568)**

a) Current financial assets

Current financial assets are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Tax receivables	13,894,361	22,573,499	(8,679,138)
Social security institutions	2,783,304	3,202,089	(418,784)
Other	151,044	181,593	(30,549)
Total	**16,828,709**	**25,957,180**	**(9,128,471)**

15 Other current assets (Continued)

The tax receivables substantially relate to:

- for around Euro 7.3 million to IRES and IRAP receivables. The amount is the difference between advanced payments and withholdings applied, and tax provisions calculated as of December 31, 2018;
- for around Euro 0.7 million relating to receivables for taxes paid abroad;
- for around Euro 3.4 million relating to receivables from the Inland Revenue Office for recoverable VAT.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2018 and INPS receivables to be recovered over subsequent years.

b) Other

The "Other" item includes:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Applied research grants	33,919,906	40,331,997	(6,412,090)
Prepaid expenses	1,343,222	718,261	624,960
Other	8,222,400	5,599,368	2,623,033
Total	**43,485,528**	**46,649,625**	**(3,164,097)**

Receivables for applied research grants are receivables yet to be collected, relating to projects financed by national public authorities and by the European Union, and that show no risks of non-payment.

16 Cash and cash equivalents

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Cash and cash equivalents	177,502,797	207,017,853	(29,515,056)

The balance includes cash and cash equivalents and bank current accounts. Bank and postal deposits are remunerated at interest rates in line with the market.

Cash and cash equivalents consist of the following:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Bank and postal deposits	177,465,956	206,968,722	(29,502,766)
Cash and cash equivalents	36,841	49,131	(12,290)
Total	**177,502,797**	**207,017,853**	**(29,515,056)**

As of December 31, 2018, the item "Cash and cash equivalents" amounted to Euro 177.5 million, a decrease of Euro 29.5 million compared to December 31, 2017, and corresponding to cash and cash equivalents related to current accounts and cash equivalents readily convertible into cash.

For further information reference should be made to cash flow statement.

C) Shareholders' equity

17 Information on shareholders' equity

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Shareholders' equity	615,824,211	584,472,106	31,352,105

17 Information on shareholders' equity (Continued)

The changes are shown in the table below:

Shareholders' equity	Value as of 31.12.2017	Increase	Decrease	Value as of 31.12.2018
		(in Euros)		
Share capital	31,875,000	0	0	31,875,000
Total share capital	**31,875,000**	**0**	**0**	**31,875,000**
Legal reserve	6,375,000	0	0	6,375,000
Merger reserve	503,705,347	732,540	0	504,437,886
Currency translation reserve	(2,370,708)	0	(1,565,624)	(3,936,332)
Other reserves	3,464,443	0	(13,076,237)	(9,611,794)
Total reserves	**511,174,082**	**732,540**	**(14,641,862)**	**497,264,761**
Prior years' undistributed profits	904,725	47,710,323	(9,445,022)	39,170,026
First-time application of IAS/IFRS	(571,860)	0	(116,477)	(688,337)
IAS 19 actuarial gains/(losses)	(10,329,247)	0	(1,389,252)	(11,718,499)
Retained earnings /(losses carried forward)	**(9,996,382)**	**47,710,323**	**(10,950,750)**	**26,763,190**
Profit/(loss) for the year	**47,710,323**	**55,211,805**	**(47,710,323)**	**55,211,805**
Total Group shareholders' equity	**580,763,023**	**103,654,668**	**(73,302,934)**	**611,114,756**
Capital and reserves of minority interests	**2,388,964**	**0**	**(160,664)**	**2,228,300**
Profit/(loss) for the year of minority interests	**1,320,119**	**1,161,036**	**0**	**2,481,155**
Total shareholders' equity	**584,472,106**	**104,815,703**	**(73,463,598)**	**615,824,211**

Share capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,156,787 shares each without par value. Sole Shareholder Mic Newco S.p.A..

18 Reserves

In relation to the possible utilisation and distribution of reserves, the following should be noted:

- Legal reserve:

  Euro 6,375,000 is available for the covering of losses but is not distributable.

- Merger reserve:

  the merger reserve totalled Euro 504,437,886 and it is broken down as follows:

  - Euro 116,044,240 relate to mergers of subsidiaries, occurred from 2003 to 2013; the reserve substantially refers to profits gained by the incorporated companies over the years before the merger;
  - Euro 387,661,107 refer to the reverse merger of Mic Bidco S.p.A., occurred in 2017;
  - Euro 334,422 relate to the merger of the subsidiary Infinity Technology Solutions S.p.A. on January 1, 2018;
  - Euro 398,117 related to the merger of the subsidiary Infogroup S.p.A. on May 1, 2018.

- Other reserves:

  other reserves (negative) of Euro 9,611,794 are broken down as follows:

  - Special Egov research reserve, of Euro 72,000, is neither available nor distributable;
  - Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable;

18 Reserves (Continued)

- Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable;
- Stock Option Reserve, this reserve, amounting to Euro 19,328,858, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on June 28, 2017;
- Forward contract reserve, amounting to Euro (28,668,781) on Non-Controlling Interests. The contra-entry is described in the previous paragraph 20.

- Translation reserve:

  At the reporting date, it amounted to Euro (3,936,332) and is neither available nor distributable.

19 Retained earnings/(losses carried forward)

Retained earnings are equal to Euro 26,763,190 and include:

- Prior years' undistributed profits:

  at the reporting date, they amounted to Euro 39,170,026 and are neither available nor distributable. The increase for the year amounted to Euro 47,710,323 and it is due to the allocation of the profit for the previous year, while the decrease, equal to Euro (9,445,022), is mainly due to:

  - impact resulting from the first-time application of the IFRS 15 and IFRS 9 standards, equal to Euro 4,233,192 and Euro 487,441, respectively;
  - purchase of further Non-Controlling Interests of already controlled companies, for an amount of Euro 4,480,934.

- First-time application of IAS/IFRS reserve:

  at the reporting date, it amounted to Euro (688,337) and is neither available nor distributable.

- Actuarial gains/(losses) reserve—IAS 19:

  at the reporting date, it amounted to Euro (11,718,499) and is neither available nor distributable.

D) Non-current liabilities

20 Non-current borrowings

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Non-current borrowings	177,939,035	232,425,051	(54,486,016)

Non-current borrowings relate to "Non-current borrowings" and "Other non-current borrowings", broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Non-current borrowings	171,045,154	224,003,101	(52,957,947)
Measurement of financial payables at amortised cost	(3,423,590)	(2,070,855)	(1,352,735)
Other non-current borrowings	10,317,470	10,492,805	(175,334)
Total	**177,939,035**	**232,425,051**	**(54,486,016)**

20 Non-current borrowings (Continued)

The long-term debt as of December 31, 2018 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	Of which over 5 years
		(in Euros)			
Miur Prog. 28953 Foodsys	2019	0.25 – 2.75	186,672	0	0
Volksbank	2020	0.30	0	1,565,349	0
Volkswagen bank GmbH	2021	2.57	7,367	12,255	0
Intesa Sanpaolo Fin.83817	2020	Euribeur 363m+0,85000	16,625,000	8,312,500	0
Bei/Serapis N. 84744	2022	Euribeur 363m+1,06000	9,090,909	22,727,273	0
Banca IMI—Pool banche	2021	0.9%	20,150,000	83,850,000	0
Banca Popolare Milano	2023	1.25	6,822,222	54,577,778	0
Total			**52,882,170**	**171,045,154**	**0**

The Group's main long-term financial payables include Parent Company commitments for mortgages with maturity over 12 months mainly attributable to the Parent Company and equal to Euro 169,467,550.

The portion due within 12 months was reclassified under current borrowings.

Some information and characteristics of the main loans are shown hereunder:

- to support research and development activities the European Investment Bank (EIB) granted two direct credit lines of Euro 15 and 50 million, disbursed on January 30, 2013 and January 8, 2016, respectively. The first loan was redeemed on January 30, 2018;
- the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on December 30, 2015 and the second of 38.5 million on June 30, 2016. The first instalment, amounting to Euro 31.5 million, was used for the redemption of the previous loan of original Euro 35 million, granted by the European Investment Bank (EIB) through Unicredit S.p.A.;
- following the reverse merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., occurred on May 26, 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a Pool of Banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million, granted by the same pool of banks, always through Banca IMI S.p.A., to Mic Bidco S.p.A.. This loan was used to acquire the entire share capital of Engineering Ingegneria Informatica S.p.A. with respect to the OPA (Public Purchase Offer) launched in May 2016;
- on December 27, 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A.;
- it should be noted that, during the year, the loan of Euro 130 million signed with a pool of banks through Banca IMI was renegotiated which involved a change in the rate applied by the loan itself. In particular, the above-mentioned renegotiation determined an unsubstantial change of the related financial liability. For further details on the effects resulting from the above-mentioned change, reference is made to Note 40.

Covenants

The covenants of previous loans, all at variable rate, envisage the fulfilment of the following financial parameters:

- as regards the loans granted by the European Investment Bank (EIB):
  - Net Financial Debt/ EBITDA not exceeding 2.3 (two point three);
- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:
  - Net Financial Position/Reported EBITDA lower than 2.2 (two point two);

20 Non-current borrowings (Continued)

(The Bank undertook to revaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change);

- EBITDA/Net Financial Charges higher than 5.0 (five);

- as regards the loan granted by Banca IMI S.p.A./pool of banks:
  - Net Debt/Reported EBITDA not exceeding 3.0 (three).
- as regards the loan granted by Banco BPM:
  - the same parameters of the loan granted by Banca IMI S.p.A./pool of banks.

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.

Failure to observe the financial parameters, unless restored within the 30 (thirty) following business days for the EIB loans, within 20 (twenty) business days for the IMI/pool of banks loan, in the event the value be higher than 3.5, while no action shall be taken if it remains within 3.0 and 3.5 and in the following half year it is once again fulfilled, and 60 (sixty) following business days for the loan of Banca Intesa Sanpaolo and both values are not fulfilled, may give the banks the right to withdrawal as per article 1845 of the Civil Code and to exercise the right to recover all amounts covered by the agreement.

All parameters envisaged in the agreement have been fulfilled.

As regards the instalment of Euro 31.5 million supplied by Banca Intesa Sanpaolo S.p.A., the rate swap contract was confirmed to hedge against rate fluctuations, which was entered on July 1, 2014, with Unicredit S.p.A. to hedge the loan supplied by the same bank on behalf of European Investment Bank (EIB) and redeemed on December 30, 2015. This changes the variable portion of the rate, 3-month Euribor, 360 days, into a fixed rate equal to 0.56% for the entire duration of the loan instalment redemption.

As regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative.

The last loan highlighted in the statement, supplied by MIUR through Mediocredito Centrale, is at a subsidised fixed rate and is always linked to the development of research projects.

The "Other non-current borrowings" item is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Derivative (cash flow hedge)	67,643	175,695	(108,052)
Security deposits	747,185	797,498	(50,314)
Finance lease liabilities	5,887,784	7,384,753	(1,496,969)
Non-current equity investments to be paid	3,614,858	2,134,858	1,480,000
Total	**10,317,470**	**10,492,805**	**(175,334)**

The item "Other current liabilities" mainly includes:

- the fair value of the derivative signed on July 1, 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under item financial charges after the redemption of the Unicredit S.p.A.'s loan related to the hedging;

20 Non-current borrowings (Continued)

- the payables for finance leases, for the portion of finance leases related to real estates in Turin (Euro 5,670 thousand).

Amounts due for finance leases	instalments	principal
	(in Euros)	
Within one year	1,493,309	1,250,877
Beyond one year	6,144,945	5,670,119
Over 5 years	0	0
Total lease instalments	**7,638,254**	0
interest	(717,258)	0
Total current lease instalment value	**6,920,996**	**6,920,996**

We report below the breakdown of the Group net financial position:

Description	31.12.2018	31.12.2017
	(in Euros)	
Cash	36,841	49,131
Other liquid assets	177,465,956	206,968,722
A) Cash and cash equivalents	**177,502,797**	**207,017,853**
B) Current financial receivables	**4,700,000**	**2,700,000**
Current bank payables	(4,263,099)	(5,231,331)
Current borrowing	(55,519,222)	(94,720,362)
Other current financial payables	(14,339,879)	(15,403,365)
C) Current borrowing	**(74,122,200)**	**(115,355,058)**
D) Net current financial position (A+B+C)	**108,080,598**	**94,362,796**
Non-current borrowing	(167,621,564)	(221,932,246)
Other non-current payables	(10,317,470)	(10,492,805)
E) Non-current borrowing	**(177,939,035)**	**(232,425,051)**
F) Net financial position (D+E)	**(69,858,437)**	**(138,062,255)**

21 Deferred tax liabilities

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Deferred tax liabilities	167,646,133	174,709,616	(7,063,483)

Deferred tax liabilities, calculated at the current rates (24.0% for IRES and base on regional rates for IRAP), have been calculated on the items listed in the following table.

	31.12.2018		31.12.2017	
Description	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
		(in Euros)		
Goodwill	29,330,922	8,737,445	15,000,862	4,277,860
Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Research grants	1,406,717	344,810	1,621,769	409,202
Research grants taxed in 5 years	66,123,982	15,869,756	66,832,326	16,039,757
Bad debt provision	20,666	4,960	18,036	4,960
IFRS adjustments	2,159,879	602,606	2,264,050	631,856
IFRS—IAS 8 adjustments	1,031	328	1,031	328
Allocation of goodwill	56,201,952	15,680,344	86,299,937	26,919,571
Other	44,555	10,692	128,712	30,891
Total	**608,319,065**	**167,646,133**	**625,196,085**	**174,709,616**

21 Deferred tax liabilities (Continued)

Movements in deferred tax liabilities are illustrated below:

Description	*(in Euros)*
01.01.2017	**150,060,715**
Change in consolidation scope	241,791
Increase	33,554,135
Decrease	(9,147,025)
31.12.2017	**174,709,616**
Increase	8,474,299
Decrease	(15,537,781)
31.12.2018	**167,646,134**

The following table reports the detail of deferred tax liabilities.

Description	Bad debt provision	Trademark	Allocation of goodwill	R&D grants	Other temporary differences	Total
			(in Euros)			
Balance as of December 31, 2017	**4,960**	**126,395,192**	**26,919,571**	**16,448,959**	**4,940,934**	**174,709,616**
Impact on income statement			(11,239,257)	(234,393)	4,410,168	(7,063,482)
Impact on comprehensive income statement						0
Balance as of December 31, 2018	**4,960**	**126,395,192**	**15,680,314**	**16,214,566**	**9,351,102**	**167,646,134**

22 Non-current provisions for risks and charges

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Non-current provisions for risks and charges	4,015,264	3,894,900	120,364

Changes are detailed below:

Description	*(in Euros)*
01.01.2017	**408,104**
Exchange difference effect	(416,806)
Increase	3,903,602
31.12.2017	**3,894,900**
Exchange difference effect	(429,662)
Increase	550,026
31.12.2018	**4,015,264**

23 Other non-current liabilities

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other non-current liabilities	37,459,457	13,068,793	24,390,664

Other non-current liabilities include:

- the measurement of payables—based on provisions set out by IAS 32—for sales options granted to non-controlling interests (put options contract) to which the Company Engineering Ingegneria Informatica S.p.A. is subject with reference to a non-controlling interest. In particular, the minority shareholders of a subsidiary acquire the right to exercise a sales option of their shares to Engineering Ingegneria Informatica S.p.A. in special cases, as defined in the agreement signed by the parties. The price to exercise the option is fixed based on economic parameters and adequately valued multipliers. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved;

23 Other non-current liabilities (Continued)

- the residual amount refers to payables for a non-competition agreement signed with the top management (around Euro 8.0 million).

24 Post-employment benefits

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Post-employment benefits	69,768,374	67,709,887	2,058,488

Due to the introduction of Law no. 296 of December 27, 2006 and subsequent decrees and regulations issued at the beginning of 2007 Post-employment benefits from January 1, 2007 changed from a “defined benefit plan” to a “defined contribution plan” as a consequence of the application of differing accounting treatment of post-employment benefits accrued before or after December 31, 2006.

Post-employment benefits, accrued after January 1, 2007, represent a “defined contribution plan”. Periodically the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, as post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

Post-employment benefits accrued up to December 31, 2006 continue to represent a “defined benefit plan” which is more certain in terms of their existence and sum, but uncertain in terms of manifestation.

The total amount of the benefit obligation is calculated and certified on an annual basis by an independent actuary by using the “Projected Unit Credit” method.

A summary of the actuarial assumptions adopted in measuring Post-employment benefits is provided below:

Financial Assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- future annual revaluation rates of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rate was established as variable from 0.1484% to 1.2861% and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

- to evaluate length of employment with the Company, the “Tavola di permanenza nella posizione di attivo” RG48 (a table for company service length prepared by the Italian Treasury Department based on data for those born in 1948) was used, selected, projected and separated by gender, supplemented with the probability of additional reasons for departure (resignations, advances which are a financial-based cause for leaving, measurable in terms of cancellation probability, and other).

The following table show the absolute and relative changes in liabilities measured according to IAS 19 (DBO), while assuming a 10% negative or positive change in the revaluation and/or discounting rates.

		Discounting				
Engineering Group		-10%		100%		10%
				(in Euros)		
	-10%	69,831,490	467,977	69,363,513	-461,066	68,902,447
		-409,558	63,125	-404,861	-865,918	-400,231
Infla	100%	70,241,048	472,674	69,768,374	-465,696	69,302,678
		412,887	85,570	408,117	-62,233	403,454
	+10%	70,653,935	477,444	70,176,491	-470,359	69,706,132

The figures shown in the table do not include the liabilities measured pursuant to IAS 19 of the consolidated company Infogroup S.p.A..

24 Post-employment benefits (Continued)

Actuarial gains and losses are recognised under shareholders' equity on an accrual basis, while interest cost was recognised in the income statement under financial charges.

Changes are detailed below:

Description	(in Euros)
Balance as of 01.01.2017	**64,649,745**
Provisions	23,303,560
Change in opening balance for merger	83,800
Amounts paid to social security institutions + INPS	(21,553,669)
Actuarial gains/(losses)	1,503,111
Benefits paid	(5,977,916)
Post-empl. benefits on acquisition of Group business units/subsidiaries	2,127,085
Transfer payables of Group business units/subsidiaries	(1,779,392)
Post-empl. benefits, consolidated companies	5,353,564
Balance as of 31.12.2017	**67,709,886**
Provisions	25,888,258
Change in opening balance for merger	4,882
Amounts paid to social security institutions + INPS	(23,930,990)
Actuarial gains/(losses)	1,953,964
Benefits paid	(2,845,726)
Post-empl. benefits on acquisition of Group business units/subsidiaries	982,457
Transfer payables of Group business units/subsidiaries	(97,909)
Post-empl. benefits, consolidated companies	235,270
Post-empl. benefits, companies not in consolidation scope	(131,719)
Balance as of 31.12.2018	**69,768,374**

The "Provisions" item comprises the interest cost for an amount equal to Euro 194,076.

E) Current liabilities

25 Current borrowings

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Current borrowings	74,122,200	115,355,058	(41,232,858)

Current borrowings relate to payables to lenders, banks and other current borrowings as reported below:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Payables to lenders	55,519,222	94,720,362	(39,201,139)
Bank payables	4,263,099	5,231,331	(968,232)
Other current borrowings	14,339,879	15,403,365	(1,063,486)
Total	**74,122,200**	**115,355,058**	**(41,232,858)**

Payables to lenders

As of December 31, 2018, short-term loans totalled Euro 55,519,222 and related to the short-term portion of payables to lenders for which reference is made to paragraph 20 "Non-current borrowings".

25 Current borrowings (Continued)

Bank payables

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Payables for advances on invoices	78,643	—	78,643
Bank overdrafts	4,184,456	5,231,331	(1,046,875)
Total	**4,263,099**	**5,231,331**	**(968,232)**

Other current borrowings

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other grants	10,836,827	12,509,210	(1,672,383)
Payables for leasing	1,366,832	1,232,508	134,325
Equity investments to be paid	2,136,220	1,661,648	474,572
Total	**14,339,879**	**15,403,365**	**(1,063,486)**

"Other grants" refer to amounts received for research projects to be reversed to other partner subjects.

"Payables for leasing" relate to the short-term portion of financial leases described in paragraph 20 "Non-current borrowings". "Equity investments to be paid" relate primarily, in the amount of Euro 1,415 thousand, to the earn out of INF.OR. S.r.l. and of Euro 1,193 thousand to the earn out of Sogeit Solutions S.r.l..

26 Current tax payables

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Current tax payables	4,080,474	4,250,916	(170,443)

The balance as of December 31, 2018 primarily includes current tax payables.

The breakdown is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
IRES	3,395,991	3,401,278	(5,287)
IRAP	674,007	839,192	(165,185)
Substitute tax	10,475	10,447	29
Total	**4,080,474**	**4,250,916**	**(170,443)**

27 Current provisions for risks and charges

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Current provisions for risks and charges	17,144,424	20,270,005	(3,125,581)

Current provisions for risks and charges are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Provision for risks and charges	11,305,512	10,581,400	724,111
Provision for losses on projects	5,838,912	9,688,605	(3,849,692)
Total	**17,144,424**	**20,270,005**	**(3,125,581)**

27 Current provisions for risks and charges (Continued)

The current provision for risks and charges is mainly broken down as follows:

- around Euro 5.1 million, related to a restructuring plan connected with the reorganization underway, resolved and communicated to the counterparties, and allocations, based on IAS 37 provisions set out last year already, for expected staff leaves under incentive schemes;
- Euro 1.8 million, related to legal disputes and to the risk of penalties with contracts with customers;
- around Euro 1.0 million, related to the allocation to leaving incentives;
- around Euro 5.8 million for provisions for losses on projects and relate to likely future losses on some projects being implemented. The provision for losses on projects was adjusted to account for probable future charges which will be incurred on projects in which difficulties have arisen. The allocated amount is the best estimate made based on the current information available to us.

The changes in the current provisions for risks and charges during the years in question are as follows:

Description	*(in Euros)*
01.01.2017	**35,096,799**
Increase	5,737,183
Decrease	(25,575,455)
Change in consolidation scope	5,011,479
31.12.2017	**20,270,005**
Increase	9,343,732
Decrease	(12,465,495)
Change in consolidation scope	(3,818)
31.12.2018	**17,144,424**

28 Other current liabilities

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other current liabilities	170,068,831	153,298,644	16,770,187

This item is broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Directors and Statutory Auditors	1,134,066	1,614,518	(480,452)
Consultants	132,720	100,403	32,316
Acquisition of business unit	548,080	748,512	(200,432)
Withholding taxes	1,158,227	1,339,719	(181,492)
Tax payables	31,201,074	26,396,043	4,805,031
Due to RTI partners	3,309,836	3,285,973	23,863
Social security institutions	21,506,869	21,021,279	485,590
Others	11,347,156	7,652,005	3,695,151
Employees	91,277,770	81,466,254	9,811,516
Partners for research projects	7,828,320	8,895,539	(1,067,219)
Accrued m/l loan interest	269,840	592,573	(322,734)
Other accruals	50	36,911	(36,861)
Deferred income	354,823	148,913	205,910
Total	**170,068,831**	**153,298,644**	**16,770,187**

28 Other current liabilities (Continued)

Tax payables are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
VAT	13,130,412	9,967,726	3,162,685
Suspended VAT	1,427,637	1,586,584	(158,947)
IRPEF	15,246,413	14,167,070	1,079,343
Other	1,396,612	674,663	721,949
Total	**31,201,074**	**26,396,043**	**4,805,031**

29 Trade payables

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Trade payables	337,615,519	318,140,848	19,474,672

Trade payables refer to current payables to suppliers for goods and services.

The account consists of:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Suppliers	291,805,320	271,651,212	20,154,108
Associates	256	—	256
Others	45,809,942	46,489,636	(679,693)
Total	**337,615,519**	**318,140,848**	**19,474,672**

a) Suppliers

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Due to suppliers	177,584,373	187,785,773	(10,201,400)
Due to foreign suppliers	19,150,066	17,139,486	2,010,580
Invoices to be received	95,908,093	67,705,246	28,202,847
Credit notes to be received	(837,212)	(979,293)	142,081
Total	**291,805,320**	**271,651,212**	**20,154,108**

b) Associates

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Invoices received	256	—	256
Total	**256**	**—**	**256**

b) Others

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Advances for future work	45,809,942	46,489,636	(679,693)
Total	**45,809,942**	**46,489,636**	**(679,693)**

The amounts due to others relate to net advances made by customers that exceed the value of inventories.

29 Trade payables (Continued)

Income statement

A) Total revenues

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Total revenues	1,180,302,036	1,028,797,459	151,504,577

30 Total revenues

Group revenues show a change of Euro 151,504,577. These relate to revenues from sales and services of products produced, in particular, consultancy services, IT design, usage licences, software maintenance services, and outsourcing services.

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Revenues from sales and service	1,138,138,861	995,753,711	142,385,149
Change in Inv. fin. prod. and cust. contract assets	16,753,312	6,039,028	10,714,284
Other revenues	25,409,864	27,004,720	(1,594,856)
Total	**1,180,302,036**	**1,028,797,459**	**151,504,577**

The Group recognises over time and at point in time revenues, as summarised in the following table, by product types:

2018	Development of annual and multi-annual projects	Other services and events	Total
		(in Euros)	
Fulfilment of obligations			
At a point in time		169,987,098	169,987,098
Over time	984,905,074		984,905,074
	984,905,074	**169,987,098**	**1,154,892,172**

As regards figures that would have been disclosed in the Group financial statements as of December 31, 2018, in the event of application of the previous IAS 11 and IAS 18 international accounting standards, the adoption of the new IFRS 15 standard involved:

- a decrease in total revenues equal to Euro 25.7 million;
- a decrease in operating expenses, equal to Euro 23.3 million, as a consequence of the different accounting treatment of costs for the execution of the contract (deferred contract costs).

For a more thorough description of evaluation criteria related to IFRS 15 applied, see Note 4.22.

31 Other revenues

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other revenues	25,409,864	27,004,720	(1,594,856)

The breakdown of other revenues is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Grants	15,681,287	18,083,317	(2,402,031)
Other income	9,728,577	8,921,402	807,174
Total	**25,409,864**	**27,004,720**	**(1,594,856)**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community.

31 Other revenues (Continued)

Re-invoicing of fringe benefits to employees for cars is included in item "Other revenues".

32 Disclosures pursuant to article 1, paragraphs 125-129, Law 124/2017

As required by Law 124 of 2017, disclosures are hereby supplied on grants, contributions and economic advantages of any kind whatsoever, received from public administrations and/or companies directly or indirectly controlled by the same.

Project title	Project description	Lender	Collection date	Total
Agrevolution: evolutionary technological platform for the agri-food chain	Analyses, design and development of aggregation, management and evolution activities of Interfirm Networking within the agri-food chain.	MISE	24.12.2018	27,372
			Total	**27,372**
Software Ecosystem for electronic health - EHEALTHNET	Research, modelling and development of innovative computer applications within the eHealth.	MIUR	16.01.2018	179,585
			12.11.2018	120,822
			03.12.2018	348,326
			Total	**648,733**
IRM&M "Integrated Risk Measurement & Management"	IT services platform and methods for financial risk measurement, pursuant to Basel 2.	MISE	11.05.2018	176,540
			Total	**176,540**
R&S public laboratory in agro-industrial field	R&D, modelling and development of innovative IT applications to support energy consumption awareness in a home, building and campus context.	MIUR	19.01.2018	93,976
			13.06.2018	69,229
			Total	**163,206**
Internet-based it engineering for the structural development of a "smart" territory_puglia@service (*)	R&D, analysis and prototype definition of evolved models to create and supply services in typical application contexts of P.A. and cultural tourism.	MIUR	09.03.2018	3,442,881
			Total	**3,442,881**
Operational Knowledge from Insights and Analytics on Industrial Data	OK-INSAID aims at developing a collection and analysis integrated platform of big data generated in production lines to offer supporting services to improve products, processes and maintenance policies.	MIUR	15.11.2018	104,440
			16.11.2018	417,760
			Total	**522,200**
POLIS2020	Supporting activities for design and development of innovative applications aimed at creating a social-technical platform able to supply instruments and methods, which will allow to focus on local public and private entities in change processes. The instruments and methodologies will be defined in order to favour and optimise interrelation between technology and social aspects.	Puglia Region	07.02.2018	3,154,625
			Total	**3,154,625**
Regeneration of nervous tissues and osteocartylagines through innovative methods of tissue engineering_rinovatis (*)	Analyses, design and development of embedded software for the simulation and the operation of a hardware device aimed at the detection of microvesicles in blood.	MIUR	09.03.2018	265,912
			Total	**265,912**

32 Disclosures pursuant to article 1, paragraphs 125-129, Law 124/2017 (Continued)

Project title	Project description	Lender	Collection date	Total
Risk Evaluation Dashboard	RED intends to supply, through the use of big data and special algorithms, necessary information to the Operators, within the territory, to carry out rapid and weighted assessments on the type of mitigation to be adopted under emergency or non-emergency conditions.	Valle D'Aosta Region	21.12.2018	36,405
			24.12.2018	49,895
			Total	**86,300**
Sigma (integrated system of sensors in a cloud environment for advanced multirisk management)	Industrial research and experimental development activities, aimed at acquiring new knowledge within business intelligence techniques and services for risk management applications in cloud environment.	MIUR	13.02.2018	137,040
			18.12.2018	187,424
			Total	**324,464**
SiMonA—Advanced monitoring systems of production lines	SiMonA aims at creating a framework that supplies instruments to facilitate the control and monitoring of Wireless Sensor Network within the production facilities, supplying location-based and energy saving services, as well as real time communication modules between human operators and machine tools.	Piedmont Region	26.10.2018	22,278
			Total	**22,278**
SINTESYS—Security and INTElligence System	Research activities, aimed at the acquisition of new knowledge within data mining services and techniques on OpenSource Intelligence multimodal sources to be applied to design and development of an IT integrated system for homeland security.	MIUR	01.06.2018	364,892
			Total	**364,892**
ICT solutions for the fruition and "enhanced" exploration of Cultural Heritage (NEPTIS)	R&D, modelling and development of applications to support cultural and tourist development of territories, with special reference to integrated cultural and tourist paths, as well as flexibility of development of social and mobile applications (App).	MIUR	23.01.2018	689,751
			Total	**689,751**
A collective intelligence virtual environment, enabling the development of ecosystems for the sustainable_winning technological entrepreneurship (*)	Analysis, design and development of software components and services within a enterprise social software platform for the development and management of intelligence and collective knowledge within the context of creation processes of new sustainable technological entrepreneurship.	MIUR	09.03.2018	2,139,183
			Total	**2,139,183**
Grand Total				**12,028,337**

(*) The collection was not direct but through Ditech Distretto tecnologico High-tech S.C.

In order to avoid the accumulation of irrelevant information, the Group availed itself of the possibility of not providing guidance on the benefits received and amounting to less than Euro 10,000 in the period under evaluation.

32 Disclosures pursuant to article 1, paragraphs 125-129, Law 124/2017 (Continued)

B) Operating expenses

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Operating expenses	1,102,261,578	968,448,890	133,812,688

33 Operating expenses

The breakdown of operating expenses is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Raw materials and consumables	20,135,999	16,322,136	3,813,863
Service costs	421,907,011	367,419,368	54,487,643
Personnel costs	589,005,361	518,886,310	70,119,051
Amortisation and depreciation	43,464,123	33,975,081	9,489,042
Allocations	15,772,403	19,194,803	(3,422,400)
Other costs	11,976,680	12,651,191	(674,511)
Total	**1,102,261,578**	**968,448,890**	**133,812,688**

For further details on changes, reference is made to the relevant paragraphs in the Directors' Report.

34 Raw materials and consumables

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Raw materials and consumables	20,135,999	16,322,136	3,813,863

Below is a breakdown of costs for raw materials and consumables:

Descrizione	31.12.2018	31.12.2017	Change
		(in Euros)	
Hardware	5,994,128	5,398,858	595,270
Software	13,567,538	10,222,047	3,345,491
Consumables	591,711	700,415	(108,704)
Other	(17,377)	817	(18,194)
Total	**20,135,999**	**16,322,136**	**3,813,863**

35 Service costs

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Service costs	421,907,011	367,419,368	54,487,643

35 Service costs (Continued)

Service costs comprise the following accounts:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
EDP purchases, services and data lines	4,992,883	3,853,229	1,139,654
Insurance	4,251,052	4,104,798	146,254
Bank charges and commissions	2,900,241	2,115,462	784,779
Technical support and consultancy	289,408,305	249,383,644	40,024,661
Legal and administrative consultancy	3,644,703	4,016,852	(372,149)
Training and refresher courses	3,207,263	3,127,824	79,439
Consultants	571,057	399,101	171,956
Cost of corporate boards	2,751,304	3,250,664	(499,360)
Building rental	15,813,140	13,929,766	1,883,374
Maintenance of tangible and intangible assets	21,345,649	17,640,718	3,704,931
Canteen and other personnel costs	9,931,103	8,382,802	1,548,301
Automotive expenses	13,332,351	12,244,366	1,087,985
Hardware and software rental	4,760,117	3,763,748	996,369
Maintenance and security services	4,890,801	4,510,264	380,537
Advertising and sales rep. expenses	1,863,367	1,904,537	(41,170)
Travel costs	21,398,317	20,563,385	834,931
Postage and shipping expenses	4,028,861	3,641,181	387,681
Utilities	7,811,675	7,481,263	330,412
Other	5,004,824	3,105,764	1,899,060
Total	**421,907,011**	**367,419,368**	**54,487,643**

The "Technical support and consultancy" item is related to professional resources used in our production and operating cycle. Therefore, its growth is directly related to the increase in revenue.

The following table shows the remuneration paid in 2018 to the audit firm of the consolidated financial statements, in accordance with Article 149-*duodecies* of the consolidated law on finance.

Service	Provider	Beneficiary	Remuneration
			(in Euros)
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	318,000
Other services (*)	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	15,500
Audit	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	35,000
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000
Audit	Deloitte & Touche S.p.A.	Engineering 365 S.r.l.	10,000

(*) The other services include the fill-in of the Single Form and 770 form, and Agreed Upon Procedures and disclosures on accounts.

Fee is net of expenses.

36 Personnel costs

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Personnel costs	589,005,361	518,886,310	70,119,051

36 Personnel costs (Continued)

Personnel costs consist of:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Salaries and wages	445,472,507	390,301,887	55,170,619
Social security expenses	104,572,311	91,024,753	13,547,558
Post-employment benefits	25,694,182	23,127,914	2,566,268
Restructuring and reorganising personnel	316,500	663,437	(346,937)
Other personnel costs	12,949,861	13,768,319	(818,457)
Total	**589,005,361**	**518,886,310**	**70,119,051**

It should be noted that, the item "Other personnel costs" also include the cost of Euro 9.9 million related to the Stock Options plan, with counter-entry recorded in a shareholders' equity reserve.

As the assigned Stock Option Plan is classified as Equity Settled, the counter-entry of costs is recorded in a shareholders' equity reserve, which, in addition to this amount, also includes the increase for the portion of Stock Option assigned to the subsidiary Engineering D.HUB S.p.A. and amounting to Euro 385 thousand.

It is specified that, over the year, 18,235 options were assigned to the beneficiaries of the Stock Option Plan.

The fair value of rights assigned during 2018 was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model). It totalled Euro 0.2 million (the fair value of options granted in the first pool amounted to Euro 15.92 per option).

The fair value of rights assigned during 2018 was calculated upon assignment.

In particular, the main inputs used to measure the fair value as of June 30, 2018, of the Stock Option Plan are summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve [IRS 3 years] as of June 30, 2018;
- historical volatility [AT 260 days], observed as of June 30, 2018;
- dividend yield equal to zero for the stock grant measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

The fair value of options granted in the first pool amounted to Euro 15.92 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 3.5 years;
- the exercise price for each share at the assignment date is Euro 42.15.

A summary of options granted within the Stock Option Plan is shown hereunder:

	As of December 31, 2018		As of December 31, 2017	
(in Euro, unless stated otherwise)	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
As of January 1, 2018	**—**	**911,759**	**—**	**—**
Granted during the year	42.15	18,235	42.15	911,759
Exercised during the year	—	—	—	—
As of December 31, 2018	**—**	**929,994**	**—**	**911,759**

36 Personnel costs (Continued)

No option is reported as overdue in the period shown in the table.

As of December 31, 2018, the reserve for share-based payments amounted to Euro 19.4 million. The increase for the year in the income statement amounted to Euro 9.9 million.

The average workforce is as follows:

Average number of employees	31.12.2018	31.12.2017	Change
		(unit)	
Executives	388	358	30
Managers	1,997	1,789	208
Other employees	7,955	7,059	896
Total	**10,339**	**9,205**	**1,134**

The average number of employees in 2018 increased on the previous year by 1,134.

37 Amortisation and depreciation

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Amortisation and depreciation	43,464,123	33,975,081	9,489,042

The breakdown is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Depreciation of property, plant and equipment	7,920,177	7,002,694	917,483
Amortisation of intangible assets	35,543,946	26,972,387	8,571,559
Total	**43,464,123**	**33,975,081**	**9,489,042**

38 Provisions

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Provisions	15,772,403	19,194,803	(3,422,400)

The provisions increased due to the changes reported in the following table:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Allocation to bad debt provision	7,727,142	13,132,420	(5,405,279)
Allocation to provision for risks	7,500,995	5,907,353	1,593,643
Write-down of fixed assets	544,266	155,030	389,236
Total	**15,772,403**	**19,194,803**	**(3,422,400)**

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date.

The bad debt provision includes only the allocation to the provision for interest in arrears, totalling around Euro
7.7 million, attributable to a receivable from the company Sicilia Digitale S.p.A..

The allocation to the provision for risks, amounting to Euro 7.5 million, refers primarily to allocations made in view of future reorganizations and restructuring of personnel.

The item "Write-down of fixed assets" mainly refers, in the amount of Euro 400 thousand, to the impairment in goodwill of the business unit SP Sapiens S.r.l. occurred following the latest forecasts made by Directors on the related cash flows that do not allow for the recovery of this goodwill.

39 Other costs

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Other costs	11,976,680	12,651,191	(674,511)

Other costs are broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Dues and subscriptions	804,006	1,641,467	(837,460)
Taxes	7,332,792	7,496,425	(163,633)
Gifts and donations	98,526	269,636	(171,110)
Charges for social causes	1,086,166	565,437	520,729
Other	2,655,190	2,678,226	(23,037)
Total	**11,976,680**	**12,651,191**	**(674,511)**

40 Financial income/(expenses)

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Financial income/(expenses)	3,651,166	(5,490,788)	9,141,955

Financial income is broken down as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Interest income	8,112,864	7,992,386	120,478
Fair value gain (differential from derivative)	248,974	607,915	(358,941)
Other income	7,267,355	1,731,682	5,535,672
Total	**15,629,193**	**10,331,983**	**5,297,209**

Interest income include interest in arrears (around Euro 7.7 million) related to receivables from the Sicilia Digitale S.p.A./Sicilian Region, reference of which is made to the previous section 14.

Conversely, the “Other income” item comprises primarily the positive exchange rate differences (equal to around Euro 3.0 million) and financial income, resulting from the change in contract terms occurred over the year of the loan of Euro 130 million, signed with a pool of banks, and amounting to around Euro 3.1 million. In particular, the above-mentioned effect is attributable to the application of IFRS 9, in relation to the non-substantial change of the aforesaid financial liability related to a loan of Euro 130 million, signed with a pool of banks, through Banca IMI (as described in Note 20 of the consolidated financial statements as of December 31, 2018), which involved the recognition in the income statement, based on the new standard, of the difference between current value of cash flows, as amended (determined by using the effective interest rate of the instrument in place at the modification date) and the book value of the instrument in place at the modification date.

Financial charges consist of:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Interest expense	5,126,310	10,323,712	(5,197,402)
Other	6,851,716	5,499,059	1,352,657
Total	**11,978,026**	**15,822,772**	**(3,844,745)**

Interest expense refers principally to loans detailed in Note 20 hereof.

The “Other” item comprises the exchange losses.

41 Income/(expenses) from investments

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Income/(expenses) from investments	(32,549)	(998,988)	966,439

The breakdown is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Write-downs of equity investments	(208,080)	(1,027,160)	819,080
Other income	—	28,172	(28,172)
Non-recurring income (expenses)	175,531	—	175,531
Total	**(32,549)**	**(998,988)**	**966,439**

42 Taxes

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Taxes	23,966,116	4,828,350	19,137,766

The breakdown of taxes is as follows:

Description	31.12.2018	31.12.2017	Change
		(in Euros)	
Current	21,142,445	14,741,797	6,400,648
Deferred	2,823,670	(9,913,447)	12,737,118
Total	**23,966,116**	**4,828,350**	**19,137,766**

Taxes for the period were estimated taking account of the result in the period and of the existing regulations and represent the best estimate of the tax charge.

Reconciliation between the theoretical and effective tax rate is shown below:

	31.12.2018		31.12.2017	
Reconciliation between theoretical and effective IRES tax	Amount	%	Amount	%
		(in Euros)		
Profit before taxes	81,659,076		58,287,992	
Ordinary rate applied	**19,598,178**	**+24.0%**	**13,989,117**	**+24.0%**
Tax effects deriving from:				
Income taxable in prior years	4,287,347	+5.3%	3,672,441	+6.3%
Income not taxable	(5,155,653)	-6.3%	(4,617,087)	-7.9%
Expenses not deductible	12,312,007	+15.1%	10,239,531	+17.6%
IAS differences	(365,096)	-0.4%	(365,096)	-0.6%
Other changes reducing taxable IRES	(8,686,006)	-10.6%	(10,184,785)	-17.5%
Utilisation of previous years tax losses	(3,270,905)	-4.0%	(3,515,881)	-6.0%
Effect of foreign tax rates	(1,264,605)	-1.5%	(43,295)	-0.1%
Total assessable IRES	**72,730,277**		**38,228,941**	
Tax/Tax Rate	**17,455,266**	**+21.4%**	**9,174,947**	**+15.7%**

The item "Other changes reducing taxable IRES" mainly comprises the use of provisions (Euro 3.0 million), the ACE receivable (Euro 2.2 million) and the Patent Box (Euro 0.7 million).

Deferred taxes were calculated taking into consideration the accumulated sum of all temporary differences on the basis of the average expected rate for successive tax periods when these differences will reverse. For details of the temporary differences, which have resulted in deferred taxes, reference is made to the previous paragraphs 9 "Deferred tax assets" and 21 "Deferred tax liabilities".

42 Taxes (Continued)

Other significant information

- **COMMITMENTS UNDERTAKEN**

The following table summarises the commitments of the Group as of December 31, 2018.

Description	31.12.2018
	(in Euros)
Third party sureties	310,475,856
Bank sureties in favour of other companies	14,220,941
Bid Bonds and Performance Bonds	45,795,362
Total commitments undertaken	**370,492,159**

Third party sureties

These relate to guarantees provided in respect of participation in tender offers, for the signing of contracts and for guarantees on office rental contracts.

Bank sureties in favour of other companies

Bank sureties essentially refer to the Parent Company and concern sureties in favour of other companies.

Bid Bonds and Performance Bonds

These types of commitments relate to guarantees given for participation in tenders.

- **OPERATING LEASES**

The operating leases relating to rental contracts for cars, photocopiers, HW and ordinary office machines are shown below.

Description	31.12.2018	31.12.2017
	(in Euros)	
Liability remaining as of January 1	23,398,419	19,020,050
Amount of contracts agreed in year	11,372,643	15,367,769
Amount of fees paid in year	(12,597,985)	(10,815,505)
Amount of fees paid in advance	(803,772)	(173,894)
Amount of fees still due	**21,369,304**	**23,398,421**

At year-end, the amount of rental due was as follows:

Description	31.12.2018	31.12.2017
	(in Euros)	
Within 1 year	10,460,800	10,753,247
Over 1 year	10,904,461	12,645,174
Over 5 years	4,044	
Total	**21,369,304**	**23,398,421**

In addition to the above, the main Group commitments are related to rents of headquarters and branches, for a total amount of around Euro 125,845,081 as of December 31, 2018.

43 Breakdown of financial instruments by category

As regards all transactions, the Group applies the following criteria to (financial or non-financial) balances, for which an accounting standards requires, or permits, the measurement at fair value and which are included within the scope of IFRS 13:

a) identification of the “unit of account”, i.e. the level for which an asset or a liability is aggregated or disaggregated in order to be recognised for the purposes of IFRS standards;

43 Breakdown of financial instruments by category (Continued)

b) identification of the principal market (or, in its absence, of the most advantageous market), in which transactions for the assets and liabilities under evaluation might occur. In the absence of any evidence to the contrary, it is assumed that the market, which is correctly used, coincides with the principal market or, in its absence, with the most advantageous market;

c) as regards non-financial assets, definition of the highest and best use. In the absence of any evidence to the contrary, the highest and best use coincides with the current use of the asset;

d) definition of the most appropriate valuation techniques for measurement at fair value. These techniques maximise the use of observable inputs that market participants would use when pricing the asset or the liability;

e) determination of asset fair value, i.e. estimation of the price at which an asset would be sold; determination of the fair value of liabilities and equity instruments, i.e. estimation of the price for the related transfer in an orderly transaction between market participants at the measurement date;

f) inclusion of the "non-performance risk" while measuring assets and liabilities and, especially for financial instruments, determination of an adjustment factor in measurement at fair value in order to include not only the counterparty risk (CVA—credit valuation adjustment), but also its own debt risk (DVA—debit valuation adjustment).

According to the inputs used for measurements at fair value, a fair value hierarchy was defined, according to which assets and liabilities, measured at fair value, are to be classified, or for which the fair value is disclosed in the financial statements:

a) level 1: listed prices in active markets for identical assets or liabilities to those under evaluation;

b) level 2: observable inputs, different from those included in level 1, such as: (i) listed prices in active markets for similar assets or liabilities; (ii) listed prices in non-active markets for similar or identical assets or liabilities; (iii) other observable inputs (interest rate curves, implicit volatility, credit spreads);

c) level 3: unobservable inputs, to be used to the extent that relevant observable inputs are not available. Unobservable inputs used to measure fair value reflect the assumptions that the market participants would make in pricing assets and liabilities to be measured.

Reference is made to the table hereunder for the definition of the level of fair value hierarchy according to which the single instruments measured at fair value were classified.

No transfers from the various levels of fair value hierarchy occurred during the year.

The fair value of derivatives is determined by discounting expected cash flows, by using the curve of market interest rates at the reference date, and the curve of listed credit default swaps of the counterparty and of Group companies to include the non-performance risk, as explicitly envisaged by IFRS 13.

As regards medium/long-term financial instruments, other than derivatives, wherever market prices are not available, the fair value is determined by discounting expected cash flows, by using the curve of market interest rates at the reference date and considering the counterparty risk in the event of financial assets and its own credit risk in the event of borrowings.

As of January 1, 2019 (first-time application of IFRS 9), the Group management evaluated which business model would have been applicable to financial assets held and classified its financial instruments within appropriate categories, as envisaged by IFRS 9. Moreover, the Group reclassified the borrowings based on new provisions set out by IFRS 9.

43 Breakdown of financial instruments by category (Continued)

The following table shows an overview of financial assets and liabilities in place as of December 31, 2017, while highlighting the related measurement criterion applied pursuant to the previous IAS 39 and the new IFRS 9.

	IAS 39			IFRS 9		
	Portfolio	Accounting standard	Balance 31.12.2017	Portfolio	Accounting standard	Balance 01.01.2018
			(in Euros)			
Investments accounted at fair value	AFS	FV to OCI	150,975	HFT	FV to OCI	150,975
Trade receivables	L&R	Amortised cost	550,834,537	HTC	Amortised cost	550,834,537
Cash and cash equivalents	L&R	Amortised cost	207,017,853	HTC	Amortised cost	207,017,853
Total assets	**0**	**0**	**757,852,390**	**0**	**0**	**757,852,390**

	IAS 39		IFRS 9	
	Accounting standard	Balance 31.12.2017	Accounting standard	Balance 01.01.2018
		(in Euros)		
Non-current derivatives	Cash Flow Hedge/Fair Value Hedge	175,695	Cash Flow Hedge/Fair Value Hedge	175,695
Non-current borrowings	Amortised cost	226,137,959	Amortised cost	226,137,959
Current borrowings	Amortised cost	102,845,848	Amortised cost	102,845,848
Trade payables	Amortised cost	318,140,848	Amortised cost	318,140,848
Total liabilities	**0**	**647,300,350**	**0**	**647,300,350**

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of December 31, 2018.

Book value as of 31.12.2018	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
		(in Euros)	
Other non-current assets	5,560,690		
Trade receivables	568,087,727		
Other current assets	60,314,237		
Cash and cash equivalents	177,502,797		
Total assets	**811,465,452**	**0**	**0**

Book value as of 31.12.2017	Assets at amortised cost	Assets at FVOCI	Assets at FVPL
		(in Euros)	
Other non-current assets	5,794,572		
Trade receivables	550,834,537		
Other current assets	72,606,806		
Cash and cash equivalents	207,017,853		
Total assets	**836,253,768**	**0**	**0**

Book value as of 31.12.2018	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL	Other liabilities
		(in Euros)		
Non-current borrowings	167,621,564		67,643(*)	
Other non-current liabilities	19,040,503		28,668,781(**)	
Current borrowings	63,285,373			
Other current liabilities	180,905,658			
Trade payables	337,615,519			
Total liabilities	**768,468,617**	**0**	**28,736,424**	**0**

43 Breakdown of financial instruments by category (Continued)

Book value as of 31.12.2017	Liabilities at amortised cost	Liabilities at FVOCI	Liabilities at FVPL	Other liabilities
		(in Euros)		
Non-current borrowings	221,932,246		175,695(*)	
Other non-current liabilities	18,465,903		4,920,000(**)	
Current borrowings	102,845,848			
Other current liabilities	165,807,854			
Trade payables	318,140,848			
Total liabilities	**827,192,698**	**0**	**5,095,695**	**0**

(*) The fair value reported in the table above is included in level 2 of the fair value hierarchy.
(**) The fair value reported in the table above is included in level 3 of the fair value hierarchy.

This new interpretation had no impact on the consolidated financial statements of the Group.

44 Transactions with related parties

Companies which directly or indirectly, through one or more intermediary companies, control, are controlled by the Parent Company and in which the company holds a shareholding such as to exercise significant influence, associates, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

No transactions of an atypical and/or unusual nature were undertaken with related parties or outside normal business practice or such as to distort the Group financial statements. The transactions with related parties relate to normal operations in the case of each respective entity and are conducted at normal market conditions. No other transactions with related parties other than those indicated below were undertaken.

The other current liabilities include post-employment benefit payables of some senior managers of the Company, under a stability pact signed in 2009.

44 Transactions with related parties (Continued)

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of December 31, 2018, eliminated for consolidation purposes:

Description	Engineering Ingegneria Informatica S.p.A.	Engineering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.
			(in Euros)			
Engineering Ingegneria Informatica S.p.A		482,023	3,796,952	9,925,155	6,948,931	21,154,890
Engineering Sardegna S.r.l.	4,535,558		4,059			
Engineering do Brasil S.A.	16,325,754					488,297
Engineering 365 S.r.l.	7,624,282					
Engineering ITS AG	3,543,407					
Engineering DSS GmbH						
Engineering BSC GmbH						
Engineering Software Labs GmbH	600,161					
Eng. Usa	277,558					
Bekast IT Consulting GmbH						
Icraft GmbH						
Icode GmbH						
Engineering Software Labs s.r.o.						
Municipia S.p.A.	28,185,198			2,013,899	14,640	
Engiweb Security S.r.l.	3,221,686		51,923		25,965	
Nexen S.p.A.	3,268,856			12,962		
OverIT S.p.A.	714,410					
Sicilia e-Servizi Venture	68,994,545					
Eng. International Belgium Sa	2,372,148					
Engineering D. HUB S.p.A.	8,416,127	718,217	202,039	563,481	5,286	166,325
Engi da Argentina S.A.	2,460,319					109,113
WebResults S.r.l.	559,918	321,668				
Engineering Software d.o.o.	637,188					
Engineering Luxembourg S.r.l.	214,200					
Engineering Ingegneria Informatica Spain S.L.	634,769			256		
Sofiter Tech S.r.l.	395,129					
OverIT International Inc.						153,456
Sogeit Solutions S.r.l.	75,020					
Total assets	**153,056,231**	**1,521,908**	**4,054,974**	**12,515,752**	**6,994,822**	**22,072,081**

44 Transactions with related parties (Continued)

Description	Sicilia e-Servizi Venture	Engineering do Brasil S.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	Engineering 365 S.r.l.
	(in Euros)					
Engineering Ingegneria Informatica S.p.A	33,295	200,358	1,992,033	68,066,600	29,320	4,966,480
Engineering Sardegna S.r.l.				201,152		
Engineering do Brasil S.A.				77,554	4,156	
Engineering 365 S.r.l.				8,296		
Engineering ITS AG				271,648		
Engineering DSS GmbH						
Engineering BSC GmbH						
Engineering Software Labs GmbH						
Eng. Usa		61,364		188,474		
Bekast IT Consulting GmbH						
Icraft GmbH						
Icode GmbH						
Engineering Software Labs s.r.o.						
Municipia S.p.A.			4,730	1,898,200		13,600
Engiweb Security S.r.l.				89,964		
Nexen S.p.A.				1,054		
OverIT S.p.A.		34,281		19,558	34,475	
Sicilia e-Servizi Venture						
Eng. International Belgium Sa				33		
Engineering D. HUB S.p.A.			33			
Engi da Argentina S.A.		2,516				
WebResults S.r.l.						
Engineering Software d.o.o.				11,586		0
Engineering Luxembourg S.r.l.			180,686			
Engineering Ingegneria Informatica Spain S.L.						
Sofiter Tech S.r.l.						
OverIT International Inc.						
Sogeit Solutions S.r.l.						
Total assets	**33,295**	**298,519**	**2,177,482**	**70,834,120**	**67,951**	**4,980,079**

44 Transactions with related parties (Continued)

Description	WebResults S.r.l.	Engineering Software Lab d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering DSS GmbH	Engineering Software Labs GmbH
			(in Euros)			
Engineering Ingegneria Informatica S.p.A	4,290,336	1,213,294			18,456	160,000
Engineering Sardegna S.r.l.						
Engineering do Brasil S.A.						
Engineering 365 S.r.l.		52,182				
Engineering ITS AG					225,555	
Engineering DSS GmbH				1,356,341		
Engineering BSC GmbH				306,458	156,123	
Engineering Software Labs GmbH				28,438	1,023	
Eng. Usa						
Bekast IT Consulting GmbH					5,420	
Icraft GmbH				25,851		
Icode GmbH				20,779		
Engineering Software Labs s.r.o.						
Municipia S.p.A.						
Engiweb Security S.r.l.						
Nexen S.p.A.						
OverIT S.p.A.				36,987	2,669	
Sicilia e-Servizi Venture						
Eng. International Belgium Sa			40,370			
Engineering D. HUB S.p.A.						
Engi da Argentina S.A.						
WebResults S.r.l.						
Engineering Software d.o.o.						
Engineering Luxembourg S.r.l.						
Engineering Ingegneria Informatica Spain S.L.						
Sofiter Tech S.r.l.						
OverIT International Inc.						
Sogeit Solutions S.r.l.						
Total assets	**4,290,336**	**1,265,476**	**40,370**	**1,774,854**	**409,246**	**160,000**

44 Transactions with related parties (Continued)

Description	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.	Bekast IT Consulting GmbH	Icraft GmbH	Icode GmbH	LG - NET S.r.l	Total Liabilities
				(in Euros)			
Engineering Ingegneria Informatica S.p.A	24,000	449,790					124,336,712
Engineering Sardegna S.r.l.							4,740,769
Engineering do Brasil S.A.							16,895,761
Engineering 365 S.r.l.							7,684,759
Engineering ITS AG				250,000	520,000		4,810,610
Engineering DSS GmbH							1,356,341
Engineering BSC GmbH			42,840				505,421
Engineering Software Labs GmbH							629,621
Eng. Usa							527,397
Bekast IT Consulting GmbH							28,965
Icraft GmbH							25,851
Icode GmbH				1,978			22,757
Engineering Software Labs s.r.o.			972				972
Municipia S.p.A.						90,000	32,220,267
Engiweb Security S.r.l.							3,389,539
Nexen S.p.A.							3,282,872
OverIT S.p.A.							842,379
Sicilia e-Servizi Venture							68,994,545
Eng. International Belgium Sa							2,412,551
Engineering D. HUB S.p.A.							10,071,508
Engi da Argentina S.A.							2,571,949
WebResults S.r.l.							881,585
Engineering Software d.o.o.							648,774
Engineering Luxembourg S.r.l.							394,885
Engineering Ingegneria Informatica Spain S.L.							635,025
Sofiter Tech S.r.l.							395,129
OverIT International Inc.							153,456
Sogeit Solutions S.r.l.							75,020
Total assets	**24,000**	**449,790**	**43,812**	**251,978**	**520,000**	**90,000**	**288,535,419**

44 Transactions with related parties (Continued)

Description	Engineering Ingegneria Informatica S.p.A	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engineering ITS AG	Total Charges
					(in Euros)				
Engineering Ingegneria Informatica S.p.A.		541,635	336	40,321			140,152		722,444
Engineering Sardegna S.r.l.	33,387								33,387
Engineering do Brasil S.A.	667,362								667,362
Engineering 365 S.r.l.	19,276								19,276
Engineering ITS AG	90,920								90,920
Engineering Software Labs GmbH								4,500	4,500
Bekast IT Consulting GmbH								8,250	8,250
Municipia S.p.A.	727,609								727,609
Engiweb Security S.r.l.	69,568								69,568
Sicilia e-Servizi Venture S.c.r.l.	505								505
Engineering International Belgium S.A.	26,964								26,964
WebResults S.r.l.	411								411
Engineering Luxembourg S.à.r.l.						2,034			2,034
Engineering Ingegneria Informatica Spain S.L.	2,788								2,788
OverIT International Inc.					582				582
Total income	**1,638,790**	**541,635**	**336**	**40,321**	**582**	**2,034**	**140,152**	**12,750**	**2,376,601**

44 Transactions with related parties (Continued)

Description	Engineering Ingegneria Informatica S.p.A.	Engineering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.
			(in Euros)			
Engineering Ingegneria Informatica S.p.A		1,044,502	1,002,907	19,837,871	277,562	29,823,970
Engineering Sardegna S.r.l.	1,245,534					
Engineering do Brasil S.A.	568,647					122,873
Engineering 365 S.r.l.	917,919					
Engineering ITS AG	166,963					
Engineering DSS GmbH						
Engineering BSC GmbH						
Engineering Software Labs GmbH	787,586					
Eng. Usa	634,015					
Bekast IT Consulting GmbH						
KeyVolution GmbH						
Icraft GmbH						
Icode GmbH						
Municipia S.p.A.	6,074,543			478,077		
Engiweb Security S.r.l.	575,336					
Nexen S.p.A.	2,660,370			11,071		
OverIT S.p.A.	491,985					
Sicilia e-Servizi Venture	452,961					
Eng. International Belgium Sa	396,764					
Engineering International Inc	13,051					
Engineering D. HUB S.p.A.	10,159,528	568,121		105,952		32,835
Engi da Argentina S.A.	285,424					447,425
WebResults S.r.l.	1,086,130	184,940				
Engineering Software Lab d.o.o.	294,781					
Engineering Luxembourg S.r.l.	40,401					
Engineering Ingegneria Informatica Spain S.L.	266,552			256		
Sofiter Tech S.r.l.	848,525					
OverIT International Inc.						343
Sogeit Solutions S.r.l.	61,312					
Total revenues	**28,028,326**	**1,797,562**	**1,002,907**	**20,433,227**	**277,562**	**30,427,447**

44 Transactions with related parties (Continued)

Description	Engineering do Brasil S.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	Engineering 365 S.r.l.	WebResults S.r.l.
			(in Euros)			
Engineering Ingegneria Informatica S.p.A	58,680	3,415,020	25,760,833		4,057,473	8,673,008
Engineering Sardegna S.r.l.			62,656			
Engineering do Brasil S.A.			16,198			
Engineering 365 S.r.l.			6,800			
Engineering ITS AG			189,706			
Engineering DSS GmbH						
Engineering BSC GmbH						
Engineering Software Labs GmbH						
Eng. Usa	62,481		238,431			
Bekast IT Consulting GmbH						
KeyVolution GmbH						
Icraft GmbH						
Icode GmbH						
Municipia S.p.A.			880,372			
Engiweb Security S.r.l.						
Nexen S.p.A.						
OverIT S.p.A.			17,819	34,475		
Sicilia e-Servizi Venture						
Eng. International Belgium Sa						
Engineering International Inc						
Engineering D. HUB S.p.A.						
Engi da Argentina S.A.	21,698					
WebResults S.r.l.						
Engineering Software Lab d.o.o.			11,594		4,952	
Engineering Luxembourg S.r.l.						
Engineering Ingegneria Informatica Spain S.L.						
Sofiter Tech S.r.l.						
OverIT International Inc.						
Sogeit Solutions S.r.l.						
Total revenues	**142,858**	**3,415,020**	**27,184,410**	**34,475**	**4,062,425**	**8,673,008**

44 Transactions with related parties (Continued)

Description	Engineering Software Lab d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	Engineering DSS GmbH	Engineering BSC GmbH
			(in Euros)			
Engineering Ingegneria Informatica S.p.A	2,822,808		83,036	567,925		
Engineering Sardegna S.r.l.						
Engineering do Brasil S.A.						
Engineering 365 S.r.l.	239,947					
Engineering ITS AG					20,960	62,934
Engineering DSS GmbH			1,334,399			40,921
Engineering BSC GmbH			206,347		1,396,479	
Engineering Software Labs GmbH			30,872		14,094	2,959
Eng. Usa						
Bekast IT Consulting GmbH			86,822	178,515	67,928	59,865
KeyVolution GmbH						
Icraft GmbH			21,724			
Icode GmbH			17,461			
Municipia S.p.A.						
Engiweb Security S.r.l.						
Nexen S.p.A.						
OverIT S.p.A.			143,455		2,878	
Sicilia e-Servizi Venture						
Eng. International Belgium Sa		380,629				
Engineering International Inc						
Engineering D. HUB S.p.A.						
Engi da Argentina S.A.						
WebResults S.r.l.						
Engineering Software Lab d.o.o.						
Engineering Luxembourg S.r.l.						
Engineering Ingegneria Informatica Spain S.L.						
Sofiter Tech S.r.l.						
OverIT International Inc.						
Sogeit Solutions S.r.l.						
Total revenues	**3,062,756**	**380,629**	**1,924,116**	**746,440**	**1,502,338**	**166,679**

44 Transactions with related parties (Continued)

Description	Engineering Software Labs GmbH	Sofiter Tech S.r.l.	Sogeit Solutions S.r.l.	Bekast IT Consulting GmbH	EuroAMS SRB d.o.o.	Icraft GmbH	LG - NET S.r.	Total Costs
				(in Euros)				
Engineering Ingegneria Informatica S.p.A	160,000	24,000	802,220					98,411,814
Engineering Sardegna S.r.l.								1,308,191
Engineering do Brasil S.A.								707,718
Engineering 365 S.r.l.								1,164,667
Engineering ITS AG								440,563
Engineering DSS GmbH								1,375,321
Engineering BSC GmbH				36,000				1,638,826
Engineering Software Labs GmbH								835,510
Eng. Usa								934,927
Bekast IT Consulting GmbH	52,586							445,715
KeyVolution GmbH				39				39
Icraft GmbH								21,724
Icode GmbH						25,910		43,371
Municipia S.p.A.							90,000	7,522,993
Engiweb Security S.r.l.								575,336
Nexen S.p.A.								2,671,441
OverIT S.p.A.								690,612
Sicilia e-Servizi Venture								452,961
Eng. International Belgium Sa								777,393
Engineering International Inc								13,051
Engineering D. HUB S.p.A.								10,866,436
Engi da Argentina S.A.								754,547
WebResults S.r.l.								1,271,070
Engineering Software Lab d.o.o.					152,280			463,606
Engineering Luxembourg S.r.l.								40,401
Engineering Ingegneria Informatica Spain S.L.								266,807
Sofiter Tech S.r.l.								848,525
OverIT International Inc.								343
Sogeit Solutions S.r.l.								61,312
Total revenues	**212,586**	**24,000**	**802,220**	**36,039**	**152,280**	**25,910**	**90,000**	**134,605,221**

45 Main events occurred after December 31, 2018

The main events occurred after the reporting date are described hereunder:

- on January 11, 2019, Engineering Ingegneria Informatica S.p.A. subscribed the last survey deed related to the purchase of the Dekra S.r.l. BU, for which the second and third instalments were paid, amounting to Euro 535,465;
- with deed of January 14, 2019, Engineering Ingegneria Informatica S.p.A. purchased a further 31.5% of the share capital of Sogeit Solutions S.r.l., thus owning the entire share capital of the company and becoming its Sole Shareholder;
- on January 15, 2019, with Consorzio Agrario del Nordest Soc. Coop. and ESRI S.p.A., Engineering Ingegneria Informatica S.p.A. established a new limited liability company, with registered office in Verona, whose denomination is Terram and holding 40% of the share capital. The corporate scope is the development of an IT system aimed at offering a series of services destined to the agricultural sector;

45 Main events occurred after December 31, 2018 (Continued)

- by deed of January 22, 2019, Municipia S.p.A. acquired the entire share capital of Municipia Mobilità S.r.l., with registered office in Rome, Piazzale dell'Agricoltura no. 24, share capital of Euro 100,000, and becoming its Sole Shareholder;
- on January 31, 2019, the Extraordinary Shareholders' Meetings of Municipia S.p.A. and Municipia Mobilità S.r.l., resolved on the merger proposal by incorporation of Municipia Mobilità S.r.l. into Municipia S.p.A.;
- with deed of February 19, 2019, Engineering D.HUB S.p.A. acquired 51% of the share capital of Cybertech S.r.l., with registered office in Rome, via Fiume Giallo 3, share capital of Euro 1,000,000.00, fully paid in. By effect of the above-mentioned acquisition, Engineering D.HUB S.p.A. also acquired the indirect ownership of controlling interests, owned by Cybertech, in a series of Italian and foreign companies located in Serbia, Norway, Sweden, Spain and Switzerland.

Information on members of the Board of Directors and Control Boards

The members of the Board of Directors and Control Boards are listed in paragraph I. "Corporate Governance and Corporate Bodies" in the Directors' Report.

Disclosures on share-based remuneration plans

On June 28, 2017, the Board of Directors approved a Stock Option Plan addressed to employees, consultants, collaborators and directors of the Company and the Group companies controlled by the same and aimed at being an incentive for Group growth commitments and obtaining loyalty from beneficiaries. This is a Stock Option Plan for the shares of the Company Engineering Ingegneria Informatica S.p.A..

Within this plan, 911,759 options are assigned, for free, to beneficiaries.

The options, when exercisable, give the right to subscribe one share each (of special B class), corresponding to 7.5% of the share capital, before a dedicated increase. Options are divided in three pools: the first pool, including 897,718 options, and the second and third pool, of equal number of options, for the residual amount.

The exercise price of each option, being part of the first pool, is equal to Euro 42.15 each, while the exercise price of each option included in the second and third pool will be instead determined by the Board of Directors, on an annual basis, according to the Company's "Market Fair Value" at the date of price determination.

The options become exercisable provided that determined time and performance objectives be achieved (so-called "vested options"). These options can be exercised only starting from the notification of the expiry term of the plan and not later than the business day prior to the expiry term of the plan. The exercise of the options is also subordinated to the occurrence of a disinvestment (i.e. the transfer of quotes and shares representing more than 50% of the subscribed and paid capital of Engineering, Newco or Holdco; the transfer of all Group assets; the admission to trade on a regulated market) and will be effective upon completion of the same at the expiry date of the plan.

Shares are available to the beneficiary at the expiry date of the plan.

At the expiry date of the plan, the Board of Directors has the faculty to pay the beneficiary the difference between i) the Market Fair Value of shares assigned to the beneficiary and ii) the exercise price.

In that case, the beneficiary will not have the right to claim the issue of shares and options assigned to him will no longer be valid.

Despite the fact that the Board of Directors is vested with the power to choose between the payment in cash and the issue of equity instruments, the Directors deem that, at the balance-sheet date, the Company does not have any current obligations for cash payment. Therefore, the plan was accounted for as share-based payment transaction.

After the exercise of share options, shares subscribed by the beneficiary have dividend entitlement the day after the expiry term of the plan.

The Company has the right to ask the beneficiary to repay the minimum amount sufficient to cover tax charges set out by law.

Board of Statutory Auditors' report on the Consolidated Financial Statements drawn up by Engineering Ingegneria Informatica S.p.A. as of December 31, 2018

Pursuant to Article 2429 Italian Civil Code

Dear Shareholders,

the consolidated financial statements as of December 31, 2018, were drawn up by Directors in accordance with the law, and were approved at the meeting of the Board of Directors held on March 14, 2019.

Our audit was performed based on the Rules of Conduct of the Board of Statutory Auditors approved by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). The Group has adopted the IFRS International Accounting Standards since the 2005 financial year.

Pursuant to Article 2409-septies of the Italian Civil Code, the Board also states that they exchanged information with the Group's Independent Auditors, Deloitte & Touche S.p.A..

The financial statements of each subsidiary are reported as regularly approved by the related Boards and audited within the limits and pursuant to modalities envisaged by the audit plan defined by the Independent Auditors. The plan is deemed adequate and sufficient to express the required professional opinion on the Company's consolidated financial statements.

We audited the Group consolidated financial statements as of December 31, 2018, and we assessed that the identification of the consolidation scope and the election of both consolidation principles for equity investments, and procedures adopted for this purpose, are compliant with law and the accounting standards applicable in these cases, including new standards IFRS 9 and 15, as from January 1, 2018. Their impacts on the consolidated financial statements were duly described in the Explanatory Notes.

The Board of Statutory Auditors acknowledged that, in its report dated April 1, 2019, the Independent Auditors Deloitte & Touche S.p.A. also expressed an opinion without remarks, comments or recalls to disclosures in relation to the consolidated financial statements ended December 31, 2018.

Taking also account of the opinion expressed by the Independent Auditors, we hereby certify that the consolidated financial statements as of December 31, 2018 have been prepared in compliance with provisions set forth by Legislative Decree no. 127/1991, as amended. The criteria adopted by the Board of Directors, duly described in the Explanatory Notes on the consolidated financial statements, as well as in the financial statements valuations and value adjustments, are based on the general and usual criteria adopted on a going concern basis.

The Directors' report, included in the consolidated financial statements, was audited by us to assess its compliance with the expected minimum content, as envisaged in the applicable standards.

Based on the audit performed, the Board deems that the Group Directors' report is fair, exhaustive and consistent with the consolidated financial statements.

The Board of Statutory Auditors also audited the Impairment Tests, drawn up by the board internal to the Group and the measurement of the Goodwill item entered under Assets in the consolidated financial statements, and it shared the outcome in numerical terms and considerations, thoroughly described in the Explanatory Notes.

While considering also the outcome of the audit performed by the auditing company, as shown in the Independent Auditors' report on the consolidated financial statements issued on April 1, 2019, in which no remarks or recalls to disclosures are reported, the Board of Statutory Auditors deems that no notifications on the consolidated financial statements are worth reporting herein.

For the Auditors
Rocco Corigliano
Patrizia Paleologo Oriundi
Massimo Porfiri

Chairman - Board of Statutory Auditors
Rocco Corigliano

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ENGINEERING INGEGNERIA INFORMATICA S.P.A. FOR THE YEAR ENDED DECEMBER 31, 2017

Deloitte.

Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
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Italia

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Fax: +39 06 36749282
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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
Engineering lngegneria Informatica S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated 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 Engineering lngegneria Informatica S.p.A. ("Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Deloitte.

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 the 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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.
- Obtain 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 communicate 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.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Engineering Ingegneria Informatica S.p.A. are responsible for the preparation of the report on operations of Engineering lngegneria Informatica Group as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing 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 Engineering Ingegneria Informatica Group as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Engineering Ingegneria Informatica Group as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Cherubini
Partner

Rome, Italy
April 14, 2018

This report has been translated into the English language solely for the convenience of international readers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement of Financial Position - Assets	Notes	31.12.2017	31.12.2016
		(in Euros)	
A) Non-current assets			
Property, plant and equipment	*5*	38,304,315	26,267,690
Intangible assets	*6*	477,865,612	484,202,558
Goodwill	*7*	129,985,817	57,662,300
Equity investments	*8*	150,975	131,573
Deferred tax assets	*9*	32,251,670	25,601,152
Other non-current assets	*10*	5,794,572	2,609,605
Total non-current assets		**684,352,962**	**596,474,878**
B) Non-current assets held for sale		**0**	**0**
C) Current assets			
Inventories	*11*	197,738	64,840
Construction contracts	*12*	150,323,955	143,901,388
Trade receivables	*13*	550,834,537	531,434,221
Other current assets	*14*	72,606,806	58,981,352
Cash and cash equivalents	*15*	207,017,853	312,232,343
Total current assets		**980,980,889**	**1,046,614,144**
Total assets (A + B + C)		**1,665,333,851**	**1,643,089,022**

Statement of Financial Position - Liabilities	Notes	31.12.2017	31.12.2016
D) Shareholders' equity			
Share capital	*17*	31,875,000	989,947
Reserves	*18*	511,174,082	527,909,574
Retained earnings/(losses carried forward)	*19*	(9,996,382)	0
Profit/(Loss) for the year		50,240,665	904,725
Group shareholders' equity		**583,293,365**	**529,804,246**
Capital and reserves of minority interests		2,388,964	1,040,733
Profit/(Loss) for the year of minority interest		2,023,600	148,135
Total shareholders' Equity	*16*	**587,705,929**	**530,993,114**
E) Non-current liabilities			
Non-current financial liabilities	*20*	232,425,051	88,056,345
Deferred tax liabilities	*21*	149,213,821	150,060,715
Non-current provisions for risks and charges	*22*	3,894,900	408,104
Other non-current liabilities	*23*	13,068,793	3,800,773
Post-employment benefits	*24*	67,709,887	64,649,744
Total non-current liabilities		**466,312,451**	**306,975,680**
F) Current liabilities			
Current financial liabilities	*25*	115,355,058	332,926,016
Current tax payables	*26*	4,250,916	3,853,977
Current provisions for risks and charges	*27*	20,270,005	35,096,799
Other current liabilities	*28*	153,298,644	148,697,970
Trade payables	*29*	318,140,848	284,545,467
Total current liabilities		**611,315,471**	**805,120,229**
G) Total liabilities (E + F)		**1,077,627,922**	**1,112,095,908**
Total liabilities and shareholders' equity (D + G)		**1,665,333,851**	**1,643,089,022**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income Statement	Notes	31.12.2017	31.12.2016
		(in Euros)	
A) Total revenues			
Revenues		1,000,175,648	483,643,320
Other revenues	*31*	28,621,810	11,927,061
Total revenues	30	**1,028,797,459**	**495,570,381**
B) Operating expenses			
Raw materials and consumables	*33*	16,322,136	7,959,280
Services	*34*	367,419,368	184,133,043
Personnel costs	*35*	518,886,310	237,315,946
Amortisation and depreciation	*36*	29,690,148	19,206,704
Provisions	*37*	19,050,537	28,051,291
Other costs	*38*	12,651,191	5,744,152
Total operating expenses	*32*	**964,019,691**	**482,410,415**
C) Operating profit (A - B)		**64,777,768**	**13,159,966**
Financial income		10,331,983	7,326,922
Financial charges		15,822,772	10,659,459
D) Net financial income/(charges)	*39*	**(5,490,788)**	**(3,332,536)**
E) Total income/(charges) from investments	*40*	**(998,988)**	**(285,674)**
F) Profit before taxes (C + D + E)		**58,287,992**	**9,541,756**
G) Income taxes	*41*	**6,023,727**	**8,488,896**
H) Net profit from continuing operations (F - G)		**52,264,265**	**1,052,860**
I) Profit/(Loss) from discontinued operations		**0**	**0**
L) Consolidated profit/(loss) for the year (H + I)		**52,264,265**	**1,052,860**
Minority share		2,023,600	148,135
Group share		50,240,665	904,725

Statement of Comprehensive Income	Notes	31.12.2017	31.12.2016
		(Importi in euro)	
L) Group consolidated profit		**52,264,265**	**1,052,860**
M) Other statement of comprehensive income items			
Actuarial gains/(losses) of employee defined plans		(1,467,014)	731,370
Tax effect related to other profit/(loss) which will not be reclassified in profit/(loss) for the year		352,084	(175,529)
Changes in other equity reserves			
Tax effect of changes in other equity reserves			
Total other profit/(loss) which will not be reclassified in profit/(loss) for the year, net of tax effect		**(1,114,930)**	**555,842**
N) Total other profit/(loss) which will be reclassified in profit/(loss) for the year:			
Profit/(Loss) on cash flow hedge instruments			
Tax effect related to other profit/(loss) which will be reclassified in profit/(loss) for the year			
Translation gains/losses on non Euro accounts		(1,425,339)	485,662
Taxation on translation gains/losses on non Euro accounts			
Total other profit/(loss) which will be reclassified in profit/(loss) for the year, net of tax effect		**(1,425,339)**	**485,662**
Total other profit/(loss), net of tax effect		**(2,540,268)**	**1,041,503**
O) Total comprehensive income for the year (L + M + N)		**49,723,996**	**2,094,363**
Minority share		2,028,434	147,005
Group share		47,695,562	1,947,358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Description	Share capital	Reserves	Retained earnings	Profit/(Loss) for the year	Group shareholders' equity	Minority interest	Total
				(in Euros)			
Opening balance	**989,947**	**527,165,749**	**0**	**0**	**528,155,696**	**195,505,148**	**723,660,844**
Net profit/(loss)				904,725	904,725	148,135	1,052,860
Other net comprehensive items		1,041,503	0	0	1,041,503	0	1,041,503
Comprehensive profit	**0**	**1,041,503**	**0**	**904,725**	**1,946,228**	**148,135**	**2,094,363**
Transactions with Shareholders	**0**	**(297,678)**	**0**	**0**	**(297,678)**	**(196,169,482)**	**(196,467,160)**
Other changes	**0**	**0**	**0**	**0**	**0**	**1,705,067**	**1,705,067**
Balance as of 31.12.2016	**989,947**	**527,909,574**	**0**	**904,725**	**529,804,246**	**1,188,868**	**530,993,114**
Net profit/(loss)				50,240,665	50,240,665	2,023,600	52,264,265
Other net comprehensive items		(1,425,339)	(1,119,765)		(2,545,103)	4,835	(2,540,268)
Comprehensive profit	**0**	**(1,425,339)**	**(1,119,765)**	**50,240,665**	**47,695,562**	**2,028,434**	**49,723,996**
Transactions with Shareholders	**0**	**0**	**904,725**	**(904,725)**	**(0)**	**0**	**(0)**
Other changes	**30,885,053**	**(15,310,153)**	**(9,781,343)**	**0**	**5,793,557**	**1,195,262**	**6,988,819**
Balance as of 31.12.2017	**31,875,000**	**511,174,082**	**(9,996,382)**	**50,240,665**	**583,293,365**	**4,412,564**	**587,705,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

Description		31.12.2017	31.12.2016
		(in Euros)	
	Revenues from the sales of products/services—third parties	1,215,443,878	579,664,301
	Costs for goods and services—third parties	(492,090,156)	(204,808,645)
	Personnel costs	(537,568,020)	(229,621,497)
	Interest received from operating activities	252,443	535,051
	Interest paid for operating activities	(391,104)	(236,373)
	Exchange differences	(80,218)	3,772
	Income tax payments and reimbursements	(96,999,903)	(63,233,676)
A)	**Total cash flow from operating activities**	**88,566,920**	**82,302,933**
	Sale of tangible fixed assets	236,062	151,330
	Purchase of tangible fixed assets	(7,973,608)	(3,827,281)
	Sale of intangible fixed assets	945	12,750
	Purchase of intangible fixed assets	(3,136,538)	(1,649,347)
	Purchase of investments in subsidiaries	(98,320,977)	(2,377,252)
	Purchase of business unit	(2,394,406)	0
	Purchase of other investments and securities	(498,126)	(196,527,280)
	Sale of other investments and securities	20,431	0
	Dividends received	1,590,246	0
B)	**Total cash flow from investing activities**	**(110,385,971)**	**(204,217,080)**
	New loans	299,125,745	(22,348,045)
	Repayment of loans	(392,901,810)	17,251,093
	Sale of treasury shares	416,910	264
	Dividends distributed	(2,300,218)	(3,285,408)
	Change in consolidation scope	17,040,974	1,632,576
	Interest received for financing activities	38,781	0
	Interest paid for financing activities	(4,815,820)	(2,726,076)
C)	**Total cash flow from financing activities**	**(83,395,438)**	**(9,475,596)**
D)	**= (A+B+C) change in cash and cash equivalents**	**(105,214,489)**	**(131,389,743)**
E)	**Cash and cash equivalents at beginning of year**	**312,232,343**	**443,622,086**
F)	**= (D+E) cash and cash equivalents at end of year**	**207,017,853**	**312,232,343**

Notes to the Consolidated Financial Statements

1 General information

Engineering Ingegneria Informatica S.p.A. (hereinafter the "Company" or "Engineering") and its subsidiaries (hereinafter "Engineering Group" or the "Group") is the leading domestic provider of integrated ICT services, products and consultancy, established in Padua on June 6, 1980.

With approximately 10,300 employees, around 50 offices throughout Italy, the EU and Latin America and with an agent in the United States, the Group derives approx. 15% of revenues abroad and manages IT initiatives in over 20 countries with projects for the Industry, Telecommunications, Banking and Public Administration sectors. The Group operates in the outsourcing and Cloud Computing market through an integrated network of 4 data centres located in Pont-Saint-Martin (Aosta), Turin, Vicenza and Milan, which manages approximately 300 clients with an infrastructure corresponding to the highest technological, qualitative and security standards.

The Engineering market consists of medium-large clients, both in the private (banks, insurance companies, industry, services and telecommunications) and in the public sector (Healthcare, local and central Public Administration and Defence) to which SMEs and small municipalities have now been added, for which dedicated offers are targeted in the areas of ERP-CRM and tax collection, respectively.

The Group plays a leadership role in software research, coordinating a number of national and international projects through a network of scientific partners and universities across Europe. It develops Cloud computing solutions and operates in the Open Source community.

The Group operates in Software and IT Services, with a market share of around 9% in Italy and a leading position in numerous vertical sectors, due to a wide range of proprietary solutions, from banking compliance (SISBA, ELISE), to Billing and CRM for Utilities (Net@SUITE), to integrated diagnostics and administration solutions for Healthcare (AREAS), WFM systems (OverIT) and mobile platforms for TLC.

As a result of its business model, the Group creates tangible value in its various areas of operation, as it can meet all the needs of its existing and potential clients and define, plan and develop concretely efficient and effective IT strategies.

- **1.1 SIGNIFICANT OPERATIONS**

Below we report the main operations occurred over the year:

Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.

The reverse Merger project of the parent-subsidiary ("Merger") of Mic Bidco S.p.A. ("Mic Bidco") in the entire subsidiary Engineering Ingegneria Informatica S.p.A. was completed on May 24, 2017.

The reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A. produced its legal effects to third parties, pursuant to article 2504-*bis*, paragraph 2, of the Italian Civil Code, which will be effective at the date of the last record, as envisaged by Article 2504 of the Italian Civil Code. The accounting effects of the Merger will be instead effective since the first day of the financial year related to the effective date of the Merger (January 1, 2017).

Therefore, as from the effective date of the Merger:

- the nominal value of Mic Bidco S.p.A.'s shares was cancelled;
- 343,213 treasury shares were cancelled;
- the post-merger share capital of Engineering Ingegneria Informatica S.p.A. amounted to Euro 31,875,000, equal to the original amount, divided in 12,156,787 shares with no nominal value;
- the share capital was entirely assigned to the sole Shareholder Mic Newco S.p.A..

The reverse Merger did not change the consolidation scope, which remained unchanged compared to what was previously in place as at December 31, 2016. Comparative tables had to be in any case provided, in relation to the previous year, due to the fact that the company Mic Bidco S.p.A., albeit holding the direct control in Engineering Ingegneria Informatica S.p.A., had not prepared its consolidated financial statements as it availed

1 General information (Continued)

itself of the right of exemption envisaged by Legislative Decree 127/1991, Article 27, paragraph 3, by reason of the fact that the consolidated financial statements was prepared by the Italian parent Mic Holdco S.r.l., and published within the terms set by law.

Moreover, albeit the fact that the parent-subsidiary Merger transactions cannot be defined as a business combination according to the international accounting standards applied by the Company and the Group for the drawing up of the separate and consolidated financial statements, the reverse Merger under evaluation, which followed the acquisition of control, carried out in 2016, of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by the same Mic Bidco S.p.A., is to be recognised in compliance with IFRS 3. As regards this last transaction and as better described in the following paragraph, the accounting treatment, pursuant to IFRS 3, has been completed in the current year.

The above being said, after the completion of the reverse Merger project of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., these post-merger consolidated financial statements of the Engineering Group are substantially the continuation of the Mic Bidco S.p.A. financial statements (except for the capital structure), therefore reflecting:

- assets and liabilities of Mic Bidco S.p.A., at the pre-combination book value;
- assets and liabilities of Engineering Ingegneria Informatica S.p.A. and its subsidiaries ("Engineering Group"), measured at their fair value at the acquisition date, pursuant to provisions set out by IFRS 3;
- retained earnings and the equity reserves of the company Mic Bidco S.p.A. before the business combination and the following cancellation of the shareholders' equity items of Engineering Ingegneria Informatica S.p.A., except for some reserves (for which reference is made to next paragraph 18), as a contra-entry of the "Merger reserve".

- **1.2 ACQUISITIONS AND SALES FOR THE YEAR**

Completion of accounting related to the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries

As already thoroughly described in the annual financial report as of December 31, 2016, after a Public Tender Offer (OPA) launched by the Apax and NB Renaissance investment funds on all shares, Engineering Ingegneria Informatica S.p.A. unlisted from the electronic market managed by Borsa Italiana. A brief report on the events related to this operation is given hereunder.

- on April 22, 2016, pursuant to Article 114 of the Legislative Decree dated February 24, 1998, Mic Bidco S.p.A. signed a purchase agreement of shares, equal to 44.30% of the share capital of Engineering Ingegneria Informatica S.p.A., with the following modalities: the Investment Agreement was finalised to govern a transaction envisaging the purchase by Renaissance and Apax VIII investors, through Mic Holdco S.r.l., Mic Newco S.p.A. and Mic Bidco S.p.A., of the initial investments and the following promotion by Mic Bidco S.p.A. of a mandatory Public Tender Offer on the remaining share capital of Engineering Ingegneria Informatica S.p.A., excluding the shares owned by Mic Bidco S.p.A..
- on May 3, 2016, Mic Bidco S.p.A. filed in Consob the offer destined to publication, related to the entire Public Tender Offer, pursuant to Articles 106 and 109 of the CLF (Consolidated Law on Finance), having as object matter 6,962,072 ordinary shares of Engineering Ingegneria Informatica S.p.A., for a consideration granted to those adhering to the offer of Euro 66.00 each share of the Issuer included in the Offer and purchased, for a maximum amount of the Offer, in the event of total adhesion, of Euro 459,496,752.
- on May 19, 2016, Consob approved the mandatory Public Tender Offer on the ordinary shares of Engineering Ingegneria Informatica S.p.A., and the OPA was made public on May 20, 2016;

1 General information (Continued)

- on July 8, 2016, following the purchase of 100% of the share capital of the Issuer, Borsa Italiana S.p.A., with measure no. 8227 of July 1, 2016, ordered a trading suspension of the Issuer's shares on the Electronic Equity Market for the sessions of July 6 and 7, 2016 and their delisting since July 8, 2016.

Within the above context, at end June 2016 (acquisition date), the company Mic Bidco S.p.A. acquired the control, pursuant to IFRS 10, of Engineering Ingegneria Informatica S.p.A., through the acquisition of interests, calculating all treasury shares already owned by Engineering Ingegneria Informatica S.p.A. in the equity investment of Mic Bidco S.p.A., equal to 97.457%, and then fulfilling the purchase obligation to purchase the remaining 2.543% on July 8, 2016.

The above being said, for the purpose of preparing the consolidated financial statements, the recognition and measurement of fair value of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Engineering and its subsidiaries. It is noted that the transaction under evaluation was accounted for, in the previous financial statements and pursuant to IFRS 3, by using the acquisition method, which involved the temporary recognition of fair values.

The following table shows the total accounting values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair value.

Net assets acquired	**Book value**	**Fair value adjustments**	**Final fair value**
		(in Euros)	
Property, plant and equipment	25,936,449		25,936,449
Intangible assets	22,515,748	480,440,259	502,956,007
Other non-current assets	20,711,218		20,711,218
Trade assets	663,243,364	(9,386,775)	653,856,589
Cash and cash equivalents	241,537,249		241,537,249
Other current assets	66,823,766		66,823,766
Non-current financial liabilities	103,485,204		103,485,204
Other non-current liabilities	92,584,887	130,594,827	223,179,715
Current financial liabilities	35,224,535		35,224,535
Other current liabilities	394,157,520	3,448,005	397,605,525
Total net assets acquired	**415,315,648**	**337,010,652**	**752,326,300**
Minority interest shareholders' equity			692,647
Total net assets acquired by the Group			752,326,300
Total amount			**802,229,596**
Goodwill			**49,903,296**
Cash and cash equivalents			(241,537,249)
Net financial outlays resulting from the acquisition			**560,692,347**

As thoroughly described in the comments to each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged of adjustments at fair value, equal to Euro 337 million, at the acquisition date, against the recognition:

- under item Intangible assets of the "Trademark", for an amount of around Euro 453 million (including deferred taxes for around Euro (126) million) and of the Customer Relationships, amounting to around Euro 27 million (including deferred taxes for around Euro (8) million);
- of the adjustment at fair value of a special commercial business, with the recognition of a lower value of the same by around Euro 9.3 million (including deferred taxes for around Euro (3) million). Therefore, the fair value of receivables amounted to Euro 688.1 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 34.3 million);
- the related deferred tax assets, equal to Euro 130.6 million.

1 General information (Continued)

The aforesaid recognised amounts feature, *inter alia*, a change compared to the temporary initial accounting of the business combination, performed in the previous year, which led to the allocation of a value of Euro 387 million as goodwill (the goodwill at year end related to the business combination under evaluation amounted to Euro 49.9 million, which is not deductible for tax purposes).

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate, performed with the support of an independent expert, based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2016.

The residual goodwill (equal to Euro 49.9 million), recorded in the consolidated financial statement at the acquisition date, and not allocated to any other specific assets, was tested for impairment with reference to the control acquisition date and to December 31, 2016, and as provided for by IAS 36. The test confirmed the full recoverability of the residual goodwill.

In particular, consistently with provisions set out by IAS 36, for the purpose of impairment testing, at the acquisition date, such goodwill was allocated to the following Cash Generating Units ("CGU"), based on the impact of the reported EBITDA of each single CGU on the total EBITDA generated by CGUs related to 2016 Goodwill.

- Finance CGU: Euro 16,344,694;
- Energy & Utilities CGU: Euro 9,662,147;
- Telco & Media CGU: Euro 6,819,242;
- PAL, Health and Taxes CGU: Euro 13,589,040;
- Excellence CGU: Euro 345,175;
- OverIT CGU: Euro 1,854,482;
- Nexen CGU: Euro 410,814;
- Dynpro Systemas CGU: Euro 877,702.

The CGUs under evaluation were determined based on the market segments and the single operating investees, consistently with the corporate Management view in terms of monitoring of results and economic planning. For a detailed description of Group CGUs, reference is made to note 8 of these Explanatory Notes.

For the purposes of impairment testing, the estimate of the value in use was carried out over a four-year timing for each CGU, based on the 2018 budget and assumptions for the following years made by the related Management, by using a similar method as the one applied as of December 31, 2016, to which reference is made. In particular, as regards CGUs to which goodwill was allocated, the growth rate used for cash flows after the reference period and the discount rates adopted are reported hereunder. For further details on the methods and parameters adopted while performing impairment tests, reference is made to paragraph 8.

Description	Terminal value growth percentage	Post Tax WACC* 2017	Post Tax WACC* 2016
Finance	0.50%	7.76%	7.17%
Energy & Utilities	0.50%	7.76%	7.17%
Telco & Media	0.50%	7.76%	7.17%
Public Local Administration, Health and Municipia S.p.A.	0.50%	7.76%	7.17%
OverIT S.p.A.	0.50%	7.63%	6.71%
Nexen S.p.A.	0.50%	8.30%	7.17%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.17%
Dynpro Systemas S.A.	0.50%	8.30%	n.a.

* *Weighted Average Cost of Capital.*

1 General information (Continued)

It is noted that, for CGUs that underwent an impairment test, no indication emerged that these assets might have been impaired.

Sensitivity analysis

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

Completion of accounting related to the acquisition of control of Engineering ITS AG and its subsidiaries

For the purpose of preparing the consolidated financial statements, the recognition and measurement of fair value of assets acquired and liabilities undertaken were completed (within 12 months from the acquisition date) in relation to the acquisition of Engineering ITS AG and its subsidiaries. Therefore, the following was recognised: It should be noted that the transaction under evaluation was accounted for, in the previous financial statements for the year and pursuant to IFRS 3, by using the partial goodwill method, which involved the temporary recognition of fair values.

The following table shows the total accounting values of assets acquired and liabilities undertaken, at the acquisition date, as well as final values related to identified fair value.

Net assets acquired	Book value	Fair value adjustments	Final fair value
		(in Euros)	
Property, plant and equipment	117,646		117,646
Intangible assets	4,552	2,758,079	2,762,631
Other non-current assets	90,702		90,702
Trade assets	6,554,290		6,554,290
Cash and cash equivalents	985,042		985,042
Other current assets	523,253		523,253
Non-current financial liabilities	0		0
Other non-current liabilities	0	856,291	856,291
Current financial liabilities	0		0
Other current liabilities	4,795,755		4,795,755
Total net assets acquired	**3,479,730**	**1,901,788**	**5,381,518**
Minority interest shareholders' equity			1,705,068
Total net assets acquired by the Group			1,774,662
Total amount			**9,533,666**
Goodwill			**5,857,216**
Cash and cash equivalents			(985,042)
Net financial outlays resulting from the acquisition			**8,548,624**

As thoroughly described in the comments for each single item in these Explanatory Notes, to which reference is made, within the measurement at fair value of assets acquired and liabilities undertaken, pursuant to IFRS 3, a net value emerged for adjustments at fair value, equal to Euro 1.9 million, at the acquisition date and against the recognition, under item Intangible assets of Order Backlog and Customer Relationships, for the amount of around Euro 2.8 million (including deferred taxes for around Euro 0.9 million).

The aforesaid recognised amounts feature, inter alia, a change compared to the temporary initial accounting of the business combination, performed in the previous year, which led to the allocation of a value of Euro 7.8 million as goodwill (the goodwill at year end related to the business combination under evaluation amounted to Euro 5.9 million, which is not deductible for tax purposes).

1 General information (Continued)

The determination of assets acquired and liabilities undertaken at fair value was made through an estimate based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control.

As envisaged by IFRS 3, the above-mentioned data were retrospectively disclosed at the acquisition date, with the consequent change and supplement of equity and balance sheet figures already temporarily included in the consolidated financial statements for the year ended December 31, 2016. The residual goodwill (equal to Euro 5.9 million), recorded in the consolidated financial statement at the acquisition date, and not allocated to any other specific assets, was tested for impairment with reference to the control acquisition date and to December 31, 2016, and as provided for by IAS 36. The test confirmed the full recoverability of the residual goodwill.

Acquisitions for the year

Acquisition of control of Fair Dynamics Consulting S.r.l.

On March 7, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Fair Dynamics Consulting S.r.l.. For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Intangible assets	817
Other non-current assets	3,544
Trade assets	123,573
Cash and cash equivalents	85,659
Other current assets	41,302
Other non-current liabilities	14,431
Current financial liabilities	58,946
Other current liabilities	118,712
Temporary fair value of assets acquired	**62,806**
Acquired portion	100%
Acquisition cost	600,000
Goodwill	**537,194**
Cash and cash equivalents	(85,659)
Net financial outlays resulting from the acquisition	**514,341**

Fair Value of receivables acquired amounted to Euro 0.1 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 1.0 million and Euro 0.1 million, respectively.

1 General information (Continued)

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 0.1 million and lower by Euro 0.01 million, respectively.

Acquisition of control of Dekra Italia S.r.l.

On January 24, 2017, Engineering Ingegneria Informatica S.p.A. purchased a Business Unit from the company Dekra Italia S.r.l.. Dekra operates in the field of managerial consultancy services through applications and technological platforms. For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	23,303
Non-current liabilities	168,591
Current liabilities	308,421
Temporary fair value of assets acquired	**(453,709)**
Acquired portion	100%
Acquisition cost	1,006,291
Goodwill	**1,460,000**

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

Acquisition of control of Sofiter Tech S.r.l.

On April 20, 2017 Engineering Ingegneria Informatica S.p.A. subscribed a reserved capital increase on the occasion of the extraordinary shareholders' meeting of the company Sofiter Tech S.r.l.. With this transaction, Engineering Ingegneria Informatica S.p.A. now owns 51% of the company's share capital.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

Taking account that the Company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so called partial goodwill method).

1 General information (Continued)

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	1,869
Intangible assets	1,879
Trade assets	3,104,930
Cash and cash equivalents	978,288
Other current assets	13,768
Other non-current liabilities	7,764
Other current liabilities	2,981,382
Temporary fair value of assets acquired	**1,111,588**
Acquired portion	51%
Acquisition cost	1,297,959
Shares held by minority holders	49%
Minority interest	544,678
Goodwill	**731,049**
Cash and cash equivalents	(978,288)
Net financial outlays resulting from the acquisition	**319,671**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn out shall not exceed Euro 0.75 million. Based on the best estimate of the potential consideration, in these consolidated financial statements the

Company recognised a liability of Euro 0.75 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities. Fair Value of receivables acquired amounted to Euro 3.1 million.

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 6.3 million and Euro 0.3 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 2.7 million and Euro 0.4 million, respectively.

Acquisition of control of SP Sapiens S.r.l.

On June 22, 2017, Engineering Ingegneria Informatica S.p.A. purchased a Business Unit from the company SP Sapiens S.r.l

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged.

1 General information (Continued)

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Non-current liabilities	179,102
Current liabilities	171,097
Temporary fair value of assets acquired	**(350,199)**
Acquired portion	100%
Acquisition cost	49,801
Goodwill	**400,000**

Acquisition of control of Pyxis S.r.l.

On June 28, 2017, the closing related to the acquisition of Pyxis was carried out. The Engineering Group acquired 100% of the share capital through its subsidiary MHT S.r.l..

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	13,840
Intangible assets	12,348
Other non-current assets	18,021
Trade assets	927,953
Cash and cash equivalents	684,922
Other current assets	36,465
Other non-current liabilities	70,975
Other current liabilities	800,241
Temporary fair value of assets acquired	**822,334**
Acquired portion	100%
Acquisition cost	1,877,711
Goodwill	**1,055,377**
Cash and cash equivalents	(684,922)
Net financial outlays resulting from the acquisition	**1,192,789**

The fair value of receivables amounted to Euro 0.9 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 0.01 million).

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

1 General information (Continued)

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering

Ingegneria Informatica Group, equal to Euro 1.2 million and Euro 0.1 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica Group would have been higher by Euro 1.2 million and Euro 0.2 million, respectively.

Acquisition of control of Infinity Technology Solutions S.p.A.

On September 8, 2017, Engineering Ingegneria Informatica S.p.A. wholly acquired the company Infinity Technology Solutions S.p.A. with operating office in Genoa.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	**Temporary fair value**
	(in Euros)
Property, plant and equipment	32,306
Intangible assets	38,958
Other non-current assets	56,112
Trade assets	4,381,544
Cash and cash equivalents	316,904
Other current assets	467,208
Non-current financial liabilities	117,639
Other non-current liabilities	211,406
Current financial liabilities	708,355
Other current liabilities	2,284,033
Temporary fair value of assets acquired	**1,971,600**
Acquired portion	100%
Acquisition cost	3,488,209
Goodwill	**1,516,609**
Cash and cash equivalents	(316,904)
Net financial outlays resulting from the acquisition	**3,171,305**

The fair value of receivables amounted to Euro 4.4 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 0.2 million).

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 2.7 million and Euro 0.2 million, respectively.

1 General information (Continued)

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.8 million and lower by Euro 0.1 million, respectively.

Acquisition of control of SedApta US Inc. and IT Soft US Inc.

On September 8, 2017, Engineering Ingegneria Informatica S.p.A. wholly acquired the company SedApta US Inc., with registered office in Dover, Delaware, which, in its turn, controls 66% of the company IT Soft US Inc., with registered office in Chicago, Illinois.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken.

Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged. Taking account that the Company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so-called partial goodwill method).

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Other non-current assets	441,970
Trade assets	2,723,064
Cash and cash equivalents	2,780,487
Other current assets	292,380
Current financial liabilities	92,985
Other current liabilities	809,928
Temporary fair value of assets acquired	**5,334,987**
Acquired portion	66%
Acquisition cost	20,424,146
Shares held by minority holders	34%
Minority interest	1,512,941
Goodwill	**16,602,100**
Cash and cash equivalents	(2,780,487)
Net financial outlays resulting from the acquisition	**17,643,659**

Fair Value of receivables acquired amounted to Euro 2.7 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

The line-by-line consolidation, at the acquisition date, of the business combination under evaluation, involved the recording of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 3.7 million and Euro 0.5 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.7 million and Euro 1.5 million, respectively.

1 General information (Continued)

Acquisition of control of Sogeit Solutions S.r.l.

On July 1, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 60% of the company Sogeit Solutions S.r.l..

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken.

Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired company, remained substantially unchanged. Taking account that the Company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so-called partial goodwill method).

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	261,370
Intangible assets	62,975
Other non-current assets	64,190
Trade assets	3,972,761
Cash and cash equivalents	970,585
Other current assets	2,215
Non-current financial liabilities	50,000
Other non-current liabilities	112,983
Current financial liabilities	327,753
Other current liabilities	3,547,533
Temporary fair value of assets acquired	**1,295,827**
Acquired portion	60%
Acquisition cost	6,077,502
Shares held by minority holders	40%
Minority interest	518,331
Goodwill	**5,300,006**
Cash and cash equivalents	(970,585)
Net financial outlays resulting from the acquisition	**5,106,917**

The business combination under evaluation envisages an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018. The agreement between the parties sets out that the earn out shall not exceed Euro 3.0 million. Based on the best estimate of the potential consideration, in these financial statements the Company recognised a liability of Euro 2.58 million, which is the estimated amounts to be paid upon maturity based on the agreements signed with minorities.

Moreover, by reason of the fact that the Company Engineering Ingegneria Informatica S.p.A. signed a put option contract, the payables were measured based on provisions set out by IAS 32, for sales options granted to minorities. For further details, reference is made to the following paragraph 23.

The fair value of receivables amounted to Euro 3.97 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to zero).

1 General information (Continued)

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects. The line-by-line consolidation of the business combination under evaluation, as from the acquisition date, involved the recognition of revenue and profit in the consolidated financial statements of the Engineering Ingegneria Informatica S.p.A. Group, equal to Euro 5.2 million and Euro 1.6 million, respectively.

If the company acquired had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 4.4 million and Euro 0.7 million, respectively.

Acquisition of control of Infogroup S.p.A.

On December 28, 2017, Engineering Ingegneria Informatica S.p.A. proceeded with acquiring 100% of the company Infogroup S.p.A..

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken. Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged.

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	2,747,292
Intangible assets	595,336
Other non-current assets	2,063,978
Trade assets	29,770,667
Cash and cash equivalents	7,799,729
Other current assets	760,034
Other non-current liabilities	5,314,155
Other current liabilities	24,492,541
Temporary fair value of assets acquired	**13,930,341**
Acquired portion	100%
Acquisition cost	61,400,000
Goodwill	**47,469,659**
Cash and cash equivalents	(7,799,729)
Net financial outlays resulting from the acquisition	**53,600,271**

The fair value of receivables amounted to Euro 29.77 million (including a doubtful debt provision to cover the best estimate of contract cash flows, at the acquisition date, which are expected to remain uncollected and amount to Euro 1.06 million).

As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date. In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 70.0 million and lower by Euro 0.9 million, respectively.

1 General information (Continued)

Acquisition of control of Bekast IT Consulting GmbH

On September 8, 2017, Engineering ITS AG acquired the entire shareholding of the company Bekast IT Consulting GmbH, with registered office in Wolfsburg, Germany.

For the purposes of the preparation of these consolidated financial statements, pursuant to IFRS 3, the transaction was accounted for through the use of the acquisition method, which involved the temporary estimate of the fair value of assets acquired and liabilities undertaken.

Specifically, the book value of assets and liabilities already recognised in the financial statements of the acquired companies, remained substantially unchanged. Taking account that the company does not hold the entire control, the portion of shareholders' equity pertaining to minority holders was determined based on the portion pertaining to current values attributed to assets and liabilities at the control acquisition date, excluding any goodwill that can be attributed to such values (so-called partial goodwill method).

The following table shows the total book values of acquired assets and liabilities which, following the temporary measurement of fair value, remained unchanged.

Description	Temporary fair value
	(in Euros)
Property, plant and equipment	142,133
Intangible assets	4,150
Other non-current assets	48,099
Trade assets	952,041
Cash and cash equivalents	(201,949)
Other current assets	1,499
Other current liabilities	1,083,506
Temporary fair value of assets acquired	**(137,532)**
Acquired portion	51%
Acquisition cost	663,000
Shares held by minority holders	49%
Minority interest	(67,391)
Goodwill	**733,142**
Cash and cash equivalents	201,949
Actual financial outlays resulting from the acquisition	**864,949**

Fair Value of receivables acquired amounted to Euro 1.0 million. As permitted by IFRS 3, the final recognition of fair value of assets and liabilities of the acquired company will be completed within 12 months from the acquisition date.

In relation to current measurements, they will entail effects on the following main items: intangible assets and deferred tax assets and related economic effects.

If the acquired company had been consolidated on a line-by-line basis as from January 1, 2017, the 2017 consolidated revenues and net profit of the Engineering Ingegneria Informatica S.p.A. Group would have been higher by Euro 1.7 million and Euro 0.1 million, respectively.

2 Form, contents and accounting standards

These consolidated financial statements as of December 31, 2017 have been prepared under International Financial Reporting Standards (IFRS), as defined hereinafter, issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission as per the procedure set down by Article 6 of Regulation (EC) 1606/2002 of the European Parliament and the European Council of July 19, 2002. The IFRS Standards also include all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Standard Interpretations Committee, previously named "Standard Interpretations Committee"

2 Form, contents and accounting standards (Continued)

(SIC). The IFRS standards have been applied consistently with the periods disclosed herein and, taking account of the best literature on this issue, any future directions and interpretation updates will be reflected in the following financial statements, according to modalities envisaged from time to time by the reference standards.

These consolidated financial statements are expressed in Euros and, in compliance with IAS 1 “Presentation of Financial Statements” include the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related Explanatory Notes.

As thoroughly described in section “Reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A.”, the reverse Merger did not change the consolidation scope, which remained unchanged compared to what was previously in place as at December 31, 2016. Comparative tables had to be in any case provided, in relation to the previous year, due to the fact that the company Mic Bidco S.p.A., albeit holding the direct control in Engineering Ingegneria Informatica S.p.A., had not prepared its consolidated financial statements as it availed itself of the right of exemption envisaged by Legislative Decree 127/1991, Article 27, paragraph 3, by reason of the fact that the consolidated financial statements was prepared by the parent company Mic Holdco S.r.l., and published within the terms set by law. It should be also noted that the comparative income statement tables reflect the accounting results for the company Mic Bidco S.p.A. for the entire year, while, for the company Engineering Ingegneria Informatica S.p.A. and its subsidiaries they reflect accounts as from the acquisition date of control by Mic Bidco S.p.A., and therefore substantially as from end of June 2016. Within this context, in order to allow for a more immediate and exhaustive reading of performance results, the Directors’ report included the comparative income statement tables that had been restated to reflect the values of the entire 2016 for the Engineering Ingegneria Informatica S.p.A. Group.

The principles utilised are the same as those used for the preparation of the last annual financial statements and were applied evenly, except for the IFRS and IFRIC accounting standards, amendments and interpretations applicable for accounting periods beginning on January 1, 2018, as indicated in paragraph 4.28.

The consolidation was carried out under the line-by-line method, including the minority interests reported in the relevant shareholders’ equity and income statement accounts.

The Group companies adopted the same accounting period as the Parent Company and the standards utilised are the same for the preparation as the last annual financial statements and were applied in a uniform manner.

In the statement of financial position, assets and liabilities are classified according to the “current/ non-current” criterion with separation of assets and liabilities held-for-sale.

Current assets are those held for sale or used in the normal business operating cycle or in the twelve months following the year-end.

Current liabilities are expected to be settled in the normal operating cycle or within 12 months following the year-end. The income statement is classified according to the nature of the costs while the statement of cash flows uses the direct method.

Transactions with related parties are disclosed in the statement of financial position, the income statement and the statement of cash flows.

The transactions with related parties concern subsidiaries, associated companies and Directors and Executives with strategic responsibilities.

The financial statements are accompanied by the Directors’ report prepared by the Board of Directors in compliance with Article 2428 of the Italian Civil Code, which contains more detailed information on Group operations and significant events after the year-end.

- **USE OF ESTIMATES AND MEASUREMENTS**

The preparation of the financial statements in compliance with IFRS also requires the use of estimates and assumptions in determining the values of the assets and liabilities, costs and revenues and contingent assets and

2 Form, contents and accounting standards (Continued)

liabilities. The estimates and assumptions are based on the best information available at the reporting date and on prior experience where the book value of assets and liabilities is not easily inferable from other sources.

However, actual results could differ from those estimates. Estimates and assumptions are periodically revised and changes are immediately reflected in the income statement.

The items that are mostly influenced by estimates are the calculation of amortisation/depreciation, impairment tests on assets (including measurement of receivables), provisions for allocations, employee benefits, fair value of financial assets and liabilities, deferred tax assets and construction contracts, as well as the calculation of fair value of derivatives. For a better understanding of the financial statements, the main estimates utilised in the drawing up of the financial statements are shown hereunder and involve the use of subjective opinions, assumptions and estimates related to issues that are uncertain by nature. The changes in conditions underlying opinions and assumptions might have a significant impact on the following financial years.

Impairment of Assets

Assets are tested for impairment in order to assess whether any impairment loss has occurred that would involve the reduction in value, in the presence of indicators that foresee a possible difficult recovery of their net book value through their use. The assessment on the presence of the above-mentioned indicators involves subjective evaluations by the Board of Directors, based on information available within the Company and on the market, as well as historical experience. Moreover, if any doubt that a possible impairment loss has arisen, the Company will perform impairment tests by using the measurement techniques that are deemed appropriate. The correct determination of impairment indicators, as well as the estimates to determine impairment losses, depend on factors that may change over time, affecting the evaluations and estimates made by Directors.

Purchase Price Allocation (IFRS 3)

The value of trademarks was determined through a process of fair value measurement within the Purchase Price Allocation, performed upon the reverse Merger with the company Mic Bidco S.p.A., with the support of an independent expert. The measurement method adopted by the Expert in assessing the Engineering trademark is the so-called “Profit Split”. The Expert defined a royalty rate interval so as to obtain an analysis scenario and therefore a value range for the trademark under evaluation. For the purpose of determining the value of royalties, the royalty rates determined by the Expert, equal to 2.32% and 2.67%, were multiplied by the revenue expected in the plan, as from 2017.

Share-based payments (Stock Option Plan – SOP)

The fair value of share-based payments is calculated based on the fair value of the Company’s shares, which are not listed on an active market. Therefore, the Company used measurement techniques together with observable and not observable market parameters, which take also account of the current business plan of the Company. Given the level of subjectivity and the number of assumptions required to perform the measurement, changes in results and parameters used, together with the context in which the Company operates, might have a significant impact on fair value estimates of the Company’s shares.

3 Consolidation scope and principles

- **3.1 SUBSIDIARIES**

The subsidiaries are consolidated from the date on which the Group acquires control and deconsolidated from the date in which control is lost. Control is defined as the ability to directly or indirectly determine the financial and management policies and benefit from their implementation.

Consistently with provisions set out by IFRS10, a company is controlled with the presence of the following three elements: (a) power on the entity acquired/established; (b) exposure, or rights, to variable returns deriving from involvement with the same; (c) capacity to utilise the power to influence the amount of these returns.

The accounts are consolidated under the line-by-line method, therefore including the entire amount of assets and liabilities and all costs and revenues nevertheless the percentage of share capital held. The book value of consolidated investments is therefore derecognised against the relative shareholders’ equity.

3 Consolidation scope and principles (Continued)

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition until the date of sale. The operations, the balances as well as the unrealised profits and losses on inter-group transactions are derecognised.

The shares of shareholders' equity and of the minority interest result are included in a separate shareholders' equity account and in a separate line of the consolidated income statement.

- **3.2 ASSOCIATED COMPANIES**

Associated companies are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

The acquisition was recognised under the acquisition method described in the following point 4.6. After acquisition, investments in associated companies are recorded under the equity method or rather recording the Group share of the result and of the movements in the reserves respectively to the income statement and shareholders' equity. Non-realised profits and losses on inter-group transactions are derecognised for the relative share.

When the Group share of losses in an associated company is equal to or greater than the value of the investment held, the Group does not recognise additional losses unless an obligation to recapitalise exists or if payments have been made on behalf of the associated company.

- **3.3 JOINT ARRANGEMENTS**

Pursuant to provisions set forth by IFRS11, investments in joint ventures are recorded under the equity method applied as described in the previous note. A joint venture is a joint operation where parties have rights on contractually agreed assets and obligations for agreed liabilities. As regards joint operations, the standard envisages that the proportionate assets, liabilities, costs and revenues, resulting from joint operations, are entered directly in the consolidated (and separate) financial statements.

3 Consolidation scope and principles (Continued)

- **3.4 CONSOLIDATION SCOPE**

The consolidated companies as of December 31, 2017 (the details are shown in the previous paragraph of the Directors' report) are listed hereunder:

Company	Registered office	Share capital	Percentage of share capital held		
			Direct	Indirect	Total
Engineering Sardegna S.r.l.	Cagliari	1,000,000 Euro	100.00%		100.00%
Engiweb Security S.r.l.	Rome	50,000 Euro	100.00%		100.00%
Municipia S.p.A.	Trento	13,000,000 Euro	100.00%		100.00%
Engineering International Inc.	Delaware (USA)	10 Usd	100.00%		100.00%
Engineering International Belgium S.A.	Brussels	61,500 Euro	100.00%		100.00%
Engineering Luxembourg S.à.r.l.	Luxembourg	12,500 Euro		100.00%	100.00%
Engineering D.HUB S.p.A.	Pont Saint Martin	2,000,000 Euro	100.00%		100.00%
Nexen S.p.A.	Padua	1,500,000 Euro	100.00%		100.00%
MHT S.r.l.	Lancenigo	52,000 Euro	100.00%		100.00%
MHT Balkan d.o.o.	Belgrade	452,000 Rsd		100.00%	100.00%
Engi da Argentina S.A.	Buenos Aires	7,106,425 AR$	91.37%	8.63%	100.00%
Engineering do Brasil S.A.	Sao Paulo (Brazil)	51,630,020 Reais	100.00%		100.00%
Engineering Ingegneria Informatica Spain S.L.	Madrid	100,000 Euro	100.00%		100.00%
Infogroup S.p.A.	Florence	4,352,000 Euro	100.00%		100.00%
Infinity Technology Solutions S.p.A.	Genoa	2,363,820 Euro	100.00%		100.00%
SedApta US Corp.	Delaware (USA)	500,000 Usd	100.00%		100.00%
IT Soft US Inc.	Chicago (USA)	260,800 Usd		66.00%	66.00%
OverIT S.p.A.	Pordenone	300,000 Euro	95.00%		95.00%
Overit International Inc.	Miami	50,000 Usd		80.00%	80.00%
WebResults S.r.l.	Treviolo	10,000 Euro	91.00%		91.00%
Sicilia e-Servizi Venture S.c.r.l.	Palermo	300,000 Euro	65.00%		65.00%
Sogeit Solutions S.r.l.	Rome	100,000 Euro	60.00%		60.00%
Sofiter Tech S.r.l.	Rome	204,082 Euro	51.00%		51.00%
Engineering ITS AG	Berlin	50,000 Euro	51.00%		51.00%
DST Consulting GmbH	Dusseldorf	25,000 Euro		51.00%	51.00%
EMDS GmbH	Stuttgart	300,000 Euro		51.00%	51.00%
Engineering Software Labs GmbH	Stuttgart	25,000 Euro		51.00%	51.00%
Bekast IT Consulting GmbH	Wolfsburg (Germany)	115,000 Euro		51.00%	51.00%
KeyVolution GmbH	Wolfsburg (Germany)	13,750 Euro		41.00%	41.00%

Changes in the consolidation scope compared to December 31, 2016 relate to transactions carried out during the period as summarised below:

- on March 7, 2017, acquisition of 100% of Fair Dynamics Consulting S.r.l.'s share capital, merged into Engineering Ingegneria Informatica S.p.A. on December 31, 2017, with retroactive effect at the acquisition date;
- on April 20, 2017, acquisition of 51% of Sofiter Tech S.r.l.'s share capital;
- on May 19, 2017, establishment of Overit International Inc. by OverIT S.r.l., with 80% equity investment;
- acquisition, on June 23, 2017, of a further 20% of the share capital of WebResults s.r.l.; Engineering Ingegneria Informatica S.p.A. therefore holds 91% of the company's share capital;
- on June 28, 2017, acquisition of 100% of Pyxis S.r.l.'s share capital, merged into Engineering Ingegneria Informatica S.p.A. on December 31, 2017, with retroactive effect at the acquisition date;

3 Consolidation scope and principles (Continued)

- on July 10, 2017, acquisition of 60% of Sogeit Solutions S.r.l.'s share capital;
- on September 8, 2017, acquisition of 100% of the share capital of the company Infinity Technology Solutions S.p.A. and the company SedApta US Corp., which in turn holds 66.0% of the company IT Soft US Inc.;
- acquisition, in October, of 100% of Bekast IT Consulting GmbH and 80% of Keyvolution Gmbh by the German subsidiary Engineering ITS;
- on December 28, 2017, acquisition of 100% of Infogroup S.p.A.'s share capital.

Disclosures required by IFRS12 on the significant interests that minority holders have in the Group's assets, liabilities and cash flows are shown hereunder:

Company	Shares held by minority holders		Profit/(loss) held by minority holders		Equity held by minority holders	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
			(in Euros)			
Sicilia e-Servizi Venture S.c.r.l.	35.0%	35.0%	(272,377)	(430,041)	(3,388,189)	(3,115,812)
Engineering ITS AG	49.0%	49.0%	165,819	224,775	9,547,941	9,382,122
DST Consulting GmbH	49.0%	49.0%	0	0	1,377,839	1,377,839
EMDS GmbH	49.0%	49.0%	0	0	299,366	299,366
DST Software Labs GmbH	49.0%	49.0%	0	(361)	11,889	11,889
Sofiter Tech S.r.l.	49.0%		354,467		1,112,386	
Sogeit Solutions S.r.l.	40.0%		953,367		1,172,968	
IT Soft US Inc.	34.0%		93,093		778,562	
Bekast IT Consulting GmbH	49.0%		95,115		150,224	
KeyVolution GmbH	59.0%		(1,082)		4,312	
Total			**1,388,402**	**(205,628)**	**11,067,298**	**7,955,404**

3 Consolidation scope and principles (Continued)

Disclosures reflect the balances before intercompany netting.

(in Euros)

Description	Sicilia e-Servizi Venture S.c.r.l. 31.12.2017	Sicilia e-Servizi Venture S.c.r.l. 31.12.2016	Engineering ITS AG 31.12.2017	Engineering ITS AG 31.12.2016	DST Consulting GmbH 31.12.2017	DST Consulting GmbH 31.12.2016	EMDS GmbH 31.12.2017	EMDS GmbH 31.12.2016	DST Software Labs 31.12.2017	DST Software Labs 31.12.2016
Non-current assets	0	566	19,592,040	18,734,281	227,501	206,555	53,848	59,654	3,851	0
Current assets	**98,613,665**	**98,382,714**	**5,126,649**	**1,823,133**	**5,401,426**	**6,948,982**	**1,559,307**	**1,302,169**	**477,893**	**24,263**
Non-current liabilities	217,328	328	1,500,000	0	0	0	0	0	0	0
Current liabilities	108,076,877	107,285,271	3,733,094	1,410,226	2,817,012	4,343,621	1,002,203	750,871	457,482	0
Group shareholders' equity	(6,292,351)	(5,786,508)	9,937,653	9,765,066	1,434,077	1,434,077	311,585	311,585	12,374	12,374
Minority interest shareholders' equity	**(3,388,189)**	**(3,115,812)**	**9,547,941**	**9,382,122**	**1,377,839**	**1,377,839**	**299,366**	**299,366**	**11,889**	**11,889**
Revenues	600,551	1,051,103	3,118,596	35,128	21,179,012	12,174,949	4,425,580	2,235,900	316,721	0
Costs	(1,378,771)	(2,279,792)	(2,780,189)	423,596	(21,179,012)	(12,174,949)	(4,425,580)	(2,235,900)	(316,721)	(737)
Profit/(Loss) for the year	(778,220)	(1,228,690)	338,407	458,724	0	0	0	0	0	(737)
Group profit/(loss) for the year	(505,843)	(798,648)	172,587	233,949	0	0	0	0	0	(376)
Profit/(Loss) for the year of minority interest	**(272,377)**	**(430,041)**	**165,819**	**224,775**	**0**	**0**	**0**	**0**	**0**	**(361)**
Cash flow from operating activities	**(456,038)**	**(511,893)**	**(125,900)**	**(635,307)**	**(21,678)**	**1,993,242**	**593,811**	**259,616**	**(32,895)**	**(737)**
Cash flow from investing activities	0	0	365,469	(18,736,031)	(116,090)	(14,747)	(1,540)	(3,383)	(4,323)	0
Cash flow from financing activities	620,000	0	226,955	19,590,092	(875,883)	(511,266)	(340,154)	(130,159)	250,000	25,000
Total Cash flows	**163.962**	**(511.893)**	**466.524**	**218.754**	**(1.013.651)**	**1.467.229**	**252.117**	**126.075**	**212.782**	**24.263**

Description	Sofiter Tech S.r.l. 31.12.2017	Sofiter Tech S.r.l. 31.12.2016	Sogeit Solutions S.r.l. 31.12.2017	Sogeit Solutions S.r.l. 31.12.2016	IT Soft US Inc. 31.12.2017	IT Soft US Inc. 31.12.2016	Bekast IT Consulting GmbH 31.12.2017	Bekast IT Consulting GmbH 31.12.2016	KeyVolution GmbH 31.12.2017	KeyVolution GmbH 31.12.2016
Non-current assets	253,286		430,439		112,782		189,443		0	
Current assets	**6,211,503**		**6,636,135**		**5,118,599**		**1,295,598**		**9,123**	
Non-current liabilities	7,056		180,832		203,124		0		0	
Current liabilities	4,187,558		3,953,323		2,738,370		1,178,461		1,813	
Group shareholders' equity	1,157,789		1,759,452		1,511,326		156,356		2,997	
Minority interest shareholders' equity	**1,112,386**		**1,172,968**		**778,562**		**150,224**		**4,312**	
Revenues	8,953,660		9,597,781		7,489,982		1,708,904		0	
Costs	(8,230,258)		(7,214,364)		(7,216,178)		(1,514,791)		(1,835)	
Profit/(Loss) for the year	723,402		2,383,418		273,804		194,113		(1,835)	
Group profit/(loss) for the year	368,935		1,430,051		180,711		98,997		(752)	
Profit/(Loss) for the year of minority interest	**354,467**		**953,367**		**93,093**		**95,115**		**(1,082)**	
Cash flow from operating activities	**(113,430)**		**838,041**		**952,554**		**(269,646)**		**(733)**	
Cash flow from investing activities	(60,000)		(425,338)		90,000		(4,142)		0	
Cash flow from financing activities	882,959		(589,251)		(558,406)		610,838		0	
Total Cash flows	**709.529**		**(176.548)**		**484.148**		**337.050**		**(733)**	

4 Accounting principles

The accounts in the financial statements are recognised on a going concern basis.

These financial statements were prepared using measurement criteria based on historical cost, with the exception of the fair value measurement of the derivative financial instrument hedging the variable interest rate risk relating to an existing loan.

Where not specified, the significant changes reported in these notes principally relate to the changes in the consolidation scope indicated above.

The accounting policies adopted in the preparation of the present consolidated financial statements are described below.

- **4.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment include assets with long-term use held for the production or supply of goods and services, to be used under lease or for administrative purposes. This definition does not include property held principally or exclusively for rental purposes or for capital appreciation or for both of these reasons ("Investment property").

Property, plant and equipment are recognised at acquisition cost including any directly attributable costs. The acquisition cost is the fair value of the price paid and any other cost directly related and necessary for the correct functioning of the asset with regard to the use for which it was acquired.

The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased is solely made within the limits established to be separately classified as assets or part of an asset. Financial charges incurred for the acquisition of tangible fixed assets are never capitalised.

Land, both with and without civil and industrial buildings, is recorded separately and is not depreciated as it has an indefinite useful life.

Property, plant and equipment are recorded net of the relative accumulated depreciation and any losses in value. The amount to be depreciated is comprised of the carrying amount gross of depreciation and net of write-downs. Given the uniformity of the assets included in the various fixed asset categories, the useful life by category is as follows (except in specific cases):

Category	Useful life
Land	Indefinite
Buildings	33 years
Plant and machinery	3 – 6 years
EDP	3 – 6 years
Furniture, office machinery and equipment	6 – 8 years
Motor vehicles	4 years

Property, plant and equipment are depreciated on a straight-line basis over the useful estimated life of the asset which is reassessed at least at the end of each year to apply any changes.

The carrying value of a tangible fixed asset is recognised within the value limits that this asset may recover through use. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Depreciation starts when the asset is available and ready for use.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is derecognised from the financial statements and any loss or gain (calculated as the difference between sale price and the book value) is recorded to the income statement.

- **4.2 LEASING**

In the case in which the Group is the lessee

Lease contracts concerning assets in which the Group substantially holds all the risks and benefits from ownership are classified as finance lease. Assets acquired under finance leases are recorded under tangible fixed assets and against the financial payable to the lessor and depreciated according to the nature of the individual

4 Accounting principles (Continued)

asset. The financial charge is incurred in the income statement for the duration of the contract. Lease contracts in which the lessor retains a significant amount of the risks and benefits deriving from the ownership are instead classified as operating leases; the lease payments are booked in the income statement on a straight-line basis for the whole duration of the contract.

In the case in which the Group is the lessor

For assets leased under a finance lease contract, the current rental amount under the lease is recognised as a financial receivable. The difference between the net carrying amount and the current amount of the receivable is recognised to the income statement as financial income. Assets leased under operating lease contracts are however included in tangible or intangible fixed assets and depreciated in a similar manner to assets owned, with rental instalments recognised on a straight-line basis over the duration of the contract.

- **4.3 INTANGIBLE ASSETS**

The intangible assets, all with definite useful life, are recognised where identifiable and are likely to produce future economic benefits for the Group.

Intangible assets are initially recognised at acquisition or production cost. The acquisition cost is the fair value of the price paid to acquire the asset and any other direct costs incurred to prepare the asset for use. For intangible assets generated internally, the generation of the asset is broken down into the periods of research (non-capitalised) and the period of development (capitalised). Where the two periods are indistinguishable, the entire project is considered as research and is recorded directly to the income statement.

Realised assets are amortised from the time of use or when they are sold. To date they have been classified under assets-in-progress.

Financial charges incurred to acquire an intangible fixed asset are never capitalised.

After initial recognition, intangible assets are recognised on a cost basis, net of accumulated amortisation and any impairment. Amortisation is applied on the straight-line basis over the period of expected use. Given the homogeneity of the assets included within financial statement categories, with the exception of specific significant cases, the useful lives per category are as follows:

Category	Useful life
Software	3 – 6 years
Concessions, licenses and trademarks	3 – 8 years
Trademark	Indefinite
Other	2 – 14 years

The amortisation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

The book value of an intangible asset is maintained in the accounts as long as there is evidence that this value may be recovered through usage. Wherever evidence indicates that difficulties may exist in the recovery of the net book value, an impairment test is carried out.

Software

Costs directly associated with information technology products, created internally or acquired from third parties are capitalised as intangible assets when the following conditions are met:

- the technical feasibility and intention to complete the product in order that the latter may be available for use or sale;
- the capacity to use or sell the product;
- a definition of the manner by which the product will generate probable and future economic benefits (the existence of a market for the product, or its internal use);

4 Accounting principles (Continued)

- the availability of adequate technical, financial and other resources for the purposes of completing the development and the use/sale of the product;
- the capacity to reliably estimate the cost attributable to intangible assets during development of the product.

Expenses for substantial updating of products are capitalised as improvements and added to the original cost of the software. Development costs that improve product performance or upgrade the product to regulatory requirements are reflected in projects created for customers and are thus expensed during the financial year in which they are incurred.

Concessions, licenses and trademarks

Costs associated with the purchase of concessions, licenses and trademarks are capitalised under intangible fixed assets. The cost comprises the fair value of the price paid to acquire the right and any other direct costs incurred for its adaptation or for implementation within the operating or productive context of the entity. The period of amortisation does not exceed the lower between the useful life and the duration of the legal/ contractual rights.

- **4.4 GOODWILL**

Goodwill is the excess of an acquisition cost in comparison to the company share of the fair value of the identifiable assets and liabilities at the acquisition date.

Goodwill from the acquisition of companies for payment is not amortised and is subject to an impairment test at least once a year. For this purpose, goodwill is allocated to one or more Cash Generating Units. Potential reductions in value emerging from the impairment test are not reversed in subsequent periods.

In the case of the sale of assets (or part of an asset) of a CGU, any goodwill associated is included in the book value of the asset in order to determine the profit or loss from sale in proportion to the value of the CGU sold.

Goodwill relating to associated companies or other companies is included in the book value of these companies.

At period-end, goodwill is subject to impairment testing and adjusted for any losses. Losses are booked directly to the income statement.

For this purpose and in line with acquisitions of previous years, the different Cash Generating Units have been identified, which respect the independence criteria in the organisational structure and the independent capacity to generate cash flow, and are then measured using impairment testing.

A Current Value is determined for the relevant asset using a Discounted Cash Flow Model (DCF) based on the end of year account situation for each CGU. The Current Value is compared with the net book value and goodwill recorded in the financial statements to determine whether it is necessary to write-down the investment and record a loss in the financial statements.

Measurement methods are based on the criteria of maximum caution using capital cost parameters greater than the market average and introducing sensitivity analysis that validates maintaining goodwill value even where future scenarios are problematic.

- **4.5 LOSS IN VALUE OF AN ASSET (IMPAIRMENT)**

A loss in value is established wherever the book value of an asset is greater than the recoverable value. Where indicators of a loss in value exist, an estimate of the recoverable value of the asset is made (impairment test) and any write-down is applied. An impairment test is carried out at least annually, irrespective of the existence of such indicators.

The recoverable value of an asset is recorded at the greater of its fair value, net of sales costs, and its usage value. The recoverable value is calculated for each individual asset, unless it is not capable of generating cash

4 Accounting principles (Continued)

flows from continuous use sufficiently independent of cash flows generated from other assets or groups of assets, in which case the test is carried out at the level of the smallest independent Cash Generating Unit which comprises the relevant assets.

- **4.6 BUSINESS COMBINATIONS**

In IFRS 3, business combinations are defined as "a transaction or other event in which a purchaser obtains control of one or more businesses".

A business combination can be created through various procedures based on legal, fiscal or other motives. It may also involve the acquisition by an entity of share capital of another entity, acquisition of the net assets of another entity, undertaking of the liabilities of another entity or the acquisition of part of the net assets of another entity which, combined, establish one or more company activities. The combination may be realised through issue of instruments representing share capital, the transfer of cash or other liquid assets or other assets, or by a combination of the above. The operation may take place between shareholders of an entity which combine or between an entity and shareholders of another entity. It may entail the incorporation of a new entity that controls the entities taking part in the combination or net assets transferred or the restructuring of one or more of the participating entities.

The business combinations are recorded under the purchase method. This method considers that the acquisition price must be reflected in the value of the assets of the entity acquired and this allocation must be at fair value (of the assets and of the liabilities) and not of their book value. The difference (positive) comprises the goodwill.

The changes in the interest of the Parent Company in a subsidiary, which does not lead to loss of control, are recognised as capital operations. In this event, the book values of the holdings must be adjusted to reflect the changes in their relative holdings in the subsidiaries. Any difference between the adjusted value of the minority holdings and the fair value of the amount paid or received is directly recorded to shareholders' equity and allocated to shareholders of the Parent Company.

- **4.7 EQUITY INVESTMENTS**

Acquisitions are recorded at the fair value of the investment plus any directly attributable costs. Following initial recognition, equity investments are recognised at cost.

A significant and prolonged decrease in equity investment fair value below the initial booked cost is considered an objective indication of value loss.

Subsidiaries

Subsidiaries are considered to be companies in which Engineering Ingegneria Informatica S.p.A. has:

(a) power on the entity acquired/established;

(b) exposure, or rights, to variable returns deriving from involvement with the same;

(c) capacity to utilise the power to influence the amount of these returns.

Associated companies

Associated companies are defined as those in which significant influence is exercised. Such influence is presumed where more than 20% of the effective or potentially exercisable voting rights are held at the reporting date.

- **4.8 OTHER NON-CURRENT ASSETS**

Financial receivables with a due date beyond 12 months and investments in other companies are recorded under other non-current assets.

4 Accounting principles (Continued)

Investments in other companies refer to equity investments other than subsidiaries, associated companies and joint ventures and are entered at cost adjusted for any impairment whose effect is recognised in the income statement.

- **4.9 INVENTORIES**

Inventories are assets held for sale within the normal course of business or employed or to be employed in the productive processes for sale or services.

Inventories are measured at the lower between purchase cost and the fair value. The fair value is the sales price estimated for normal activity, net of completion costs and sales expenses. Any potential write-down is derecognised in subsequent years if the reason for the write-down no longer exists.

- **4.10 CONSTRUCTION CONTRACTS**

Construction contracts concerns specific projects in the course of completion based on long-term contracts. If the result of a project in course can be reliably estimated, the contractual revenues and costs are recorded based on the percentage of completion method (so-called cost to cost), so as to attribute the revenues and profits over the entire duration of the contract.

If the result of a project in course of completion cannot be reliably estimated, the contractual revenues are recorded for the amount of costs incurred if it is probable that such costs are recoverable.

The sum of costs incurred and the result on each project is compared with the invoices issued on account at the date of the preparation of the accounts. If the costs incurred in addition to the profits recorded (deducting losses) are greater than the invoices issued on account, the difference is recorded under current assets in the account “Construction contracts”. If the invoices on account are greater than the costs incurred plus the profits (deducting the losses), the difference is classified under current liabilities in the account “trade payables”.

- **4.11 TRADE RECEIVABLES**

Trade receivables are initially recognised at the fair value of future cash flows and subsequently valued at amortised cost and reduced by any potential write-downs or impairment. A financial asset is subject to impairment if there is an objective indication that one or more events occurring after the initial booking of the asset had a negative impact on the estimated future financial flows for that asset.

The objective indication that a financial asset has suffered impairment can include insolvency or failure to pay on the part of a debtor, restructuring of the debt with the company on terms that the company would not otherwise have accepted, indications of the bankruptcy of a debtor or an issuer and the non-existence of an active market for the security.

Receivables factored through non-recourse factoring transactions, according to which the final transfer to the transferee was carried out in relation to risks and benefits of factored receivables, were written off from the financial statements upon their transfer. Receivables that were instead factored through with recourse factoring transactions were not written off from the financial statements.

- **4.12 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, bank deposits on demand, other short-term financial assets with original expiry not greater than 3 months and current account overdrafts. The latter, in the preparation of the statement of financial position, are included under “Financial liabilities”. Cash and cash equivalents are recognised at fair value.

- **4.13 DISCONTINUED OPERATIONS**

A discontinued operation is a company component that has been sold or is reclassified as held for sale and represents an important independent operation or geographical area of operation or a subsidiary acquired solely for the purpose of resale. An operating activity is classified as discontinued at the moment of the sale or when the conditions have been satisfied for classification in the category “Held for sale”, if prior. When an operation is

4 Accounting principles (Continued)

classified as sold, the separate income statement and the comparative statement of comprehensive income are re-determined as if the operation were discontinued at the beginning of the comparative period.

- **4.14 SHARE CAPITAL**

Share capital consists of fully paid-up and subscribed capital. Treasury shares are recorded as a reduction of the share capital for the nominal value of the shares while the excess of the book value compared to the nominal value is recorded as a reduction of the other reserves. No profit/(loss) is recorded to the income statement for the purchase, sale or cancellation of equity instruments held.

- **4.15 RESERVES**

The reserves consist of specific capital reserves.

- **4.16 RETAINED EARNINGS/(LOSSES CARRIED FORWARD)**

The item "Retained earnings/(losses carried forward)" includes the net profit of the current and previous periods which was neither distributed nor allocated to reserves (in the case of profits) or recapitalised (in the case of losses). This item also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

- **4.17 FINANCIAL LIABILITIES**

Unlike derivative instruments, financial liabilities are initially booked at the fair value of collected sums, plus any directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest criteria.

Derivative financial instruments

Derivatives recognised at fair value are designated as hedge instruments when the relationship between the derivative and the subject being hedged is formally documented and the effectiveness of the hedge, which is periodically verified, is within the limits provided for under IAS 39. For these instruments the fair value is determined on the basis of evaluation techniques taking as reference the indicators that can be observed on the market (so-called level 2, as per IFRS 7). The report must contain the evaluation method of the efficacy of the hedging instrument to offset the exposure to changes in the fair value of the item hedged or the cash flows relating to the hedged risk, and must be highly effective for all of the years for which the hedge was designated.

The type established by the Company is a cash flow hedge in order to offset the risk of changes in interest expense for the loan covered by the hedge, converting the loan to a fixed interest rate.

The hedge was created through agreeing an interest rate swap contract, against which the Company receives an indexed variable interest rate and expiry and time periods in line with the hedged loan and paying a fixed interest rate.

The efficacy, measured periodically, is verified with the perfect hedge derivative method. Changes in the fair value of the derivative are calculated based on the methods utilised for prospective or retrospective assessment of efficacy in the hedging report and are compared with the changes in the fair value of a similar derivative instrument. The hedging is considered effective when the differential between the changes of the fair value of the derivative and the changes of the value of the hypothetical derivative is between 80% and 125%.

The effective hedging component is recorded under other statement of comprehensive income items and shareholders' equity reserve and is calculated as the lower value between the accumulated changes in hedge derivative fair value and the changes in fair value of the hypothetical derivative. The ineffective hedging component is recorded to the income statement.

4 Accounting principles (Continued)

- **4.18 EMPLOYEE BENEFITS**

Short-term employee benefits

Short-term employee benefits are recorded to the income statement in the period in which the work is carried out. The Company records a liability for the amount that it expects will have to be paid in the form of profit-sharing and incentive plans when it has a current, legal or implicit obligation to make such payments as a consequence of past events and for which the obligation can be reliably estimated.

Post-employment benefits

Post-employment benefits are recorded as costs when the Company has committed, in a demonstrable way and without a realistic possibility of withdrawal, to a formal detailed plan that provides for the termination of employment before the normal retirement date or following an offer prepared to encourage voluntary redundancy. In the case of an offer prepared by the Company to encourage voluntary redundancy, the benefits owed to employees for termination of employment are recorded in the accounts as a cost if the offer is likely to be accepted, and if the number of employees, expected to accept the offer, can be reliably estimated. Benefits owed after twelve months following the closing date of the financial year are discounted.

Defined benefit plans

Post-employment benefits represent a plan of defined benefits which are certain in terms of their existence and sum but uncertain in terms of the vesting of the post-employment benefits accrued as of December 31, 2006. The liability is determined as the current value of the benefit obligation defined at the date of reporting, in compliance with Italian regulations in force, and adjusted in order to take actuarial profits/losses into account. The amount of the defined obligation is calculated and certified annually by an independent actuary based on the "Projected unit credit" method.

Actuarial profits and losses are recognised in the statement of comprehensive income and recorded under shareholders' equity on an accrual basis.

Defined contribution plans

As from January 1, 2007, the Group companies participated in defined contribution pension plans by means of the payment of contributions to publicly or privately managed programmes; the latter may be mandatory, contractual or voluntary. Payment of the contributions fulfils the Company's obligation to its employees. Contributions thus constitute costs for the period in which they are due.

Share-based payments

Pursuant to provisions set out by IFRS 2 (Share-based payments) with reference to equity-settled share-based payments, the cost of the incentive plan is apportioned along the vesting period and it is determined with reference to the fair value of the right assigned, at the date in which the commitment is undertaken, so that existing market conditions are reflected at the reference date. At each reporting date, all hypotheses are reviewed in relation to the number of options that are expected will reach maturity. The charge pertaining to the year is recorded in the income statement, under item "Personnel costs", and its contra-entry is recognised as equity reserve.

- **4.19 PROVISIONS FOR RISKS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

According to IAS 37 provisions for risks concern the probable liabilities of uncertain amount and/or maturity relating to past events whose fulfilment will necessitate the use of resources.

Allocations are recognised when: a) there is a current legal or implicit obligation, which originates from a past event; b) it is probable that fulfilment of the obligation will be onerous; c) the amount of the obligation can be reliably estimated.

4 Accounting principles (Continued)

The amount represents the best estimates in relation to resources required for fulfilling the obligation, including legal defence charges. Where the effect of the current amount of the payment is significant, the amount of the provision is represented by the value of resources considered necessary to satisfy the obligation on maturity discounted at a nominal rate without risks. The contingent assets and liabilities (possible assets and liabilities or not recorded as the amount may not be reliably estimated) are not recorded in the financial statements. Information in this regard is provided however.

- **4.20 REVENUES AND COSTS**

Revenue generated from the sale of goods is recognised when the typical risks and benefits of ownership are transferred to the purchaser.

Revenues and costs are recognised on the accruals basis, in so far as it is possible to reliably establish their value.

Revenues from construction contracts are recorded as described in the relevant paragraph.

Interest is recorded at the effective rate based on the accruals principle.

Costs relating to the acquisition of new knowledge or discoveries, to the study of alternative products or processes, of new techniques or models, to the design and construction of prototypes or incurred for other scientific research activities or technological development are generally considered current costs and recorded to the income statement in the year in which they are incurred.

Costs for research undertaken in order to gain new technical expertise are recorded in the income statement in the year in which they are incurred. These costs are almost entirely attributable to personnel costs.

Dividends

Dividends are recognised at the date of endorsement of the resolution by the Shareholders' Meeting, unless the sale of shares is reasonably certain before the coupon detachment date.

- **4.21 GRANTS**

Grants are recognised when there is reasonable certainty that they will be received and that the conditions required for obtaining them are met.

When grants relate to cost components, they are recorded as revenues, and systematically allocated to different periods to offset the costs to which they relate.

When the grants relate to an asset, for example plant, they are recorded to the income statement under revenues rather than as an adjusted item of the book value of the asset for which it was obtained. Subsequently the useful life of the asset for which it was granted is taken into account using the deferral technique.

Public grants drawn down as compensation of expenses and costs already incurred or with the intention to provide immediate financial aid to the entity without which there would be future costs are recorded as income in the year in which they become payable.

- **4.22 DEFERRED AND CURRENT TAXES**

Current income taxes for the financial year are calculated based on an estimate of taxable income in compliance with tax law provisions.

Deferred taxes are recognised with reference to the time differences between the book value of the assets and liabilities recorded in the financial statements and the corresponding values recognised for tax purposes. Deferred tax assets are recognised for tax losses and tax credits not used and carried over, as well as the assumed time differences, insofar as there is a probable future taxable income for which the assets can be used. The value of deferred tax assets is revised at the closing date of each financial year, and reduced in the measure that it is no longer probable that the related tax benefit will be realised.

4 Accounting principles (Continued)

- **4.23 TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES**

Functional and presentation currency

The financial statement items are valued utilising the currency of the principle of economic environment in which the entity operates ("functional currency").

Operations and balance

Currency operations are translated into the presentation currency by using the exchange rate effective on the transaction date. Exchange gains and losses from the settlement of these transactions and the conversion of monetary assets and liabilities in foreign currencies at the date of preparation of the accounts are recorded to the income statement.

Conversion of financial statements of foreign operations

A foreign operation is an entity that is a subsidiary, associated company or joint venture of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. The statement of financial position and income statement data expressed in the functional currency of foreign operations are converted into the presentation currency of the consolidated financial statements at the exchange rate at year-end for assets and liabilities and at the exchange rate in force at the date of the related transactions for revenues and costs in the income statement or the statement of comprehensive income. These latter are converted at the average exchange rate in the period when such approximates the exchange rate at the date of the respective operations. Exchange differences deriving from such conversions and from the conversion of the opening shareholders' equity at the closing exchange rate are recognised to the statement of comprehensive income. The total amount of the exchange differences is presented as a separate shareholders' equity item until the divestment of the foreign operation.

- **4.24 CHANGES IN ACCOUNTING STANDARDS, ERRORS AND CHANGE OF ESTIMATES**

Changes in accounting standards

Accounting standards are changed from one year to the next only when the change is required by a standard or if it contributes to providing more reliable and significant information about the effects of transactions on financial standing, as well as on the economic results, or cash flows, of the entity. The changes to accounting standards are recognised retrospectively with the recording of the effect to shareholders' equity of the first of the period disclosed. The comparative information is restated accordingly. The prospective approach is made only when it is impractical to reconstruct the comparative information. The application of a new or amended accounting standard is accounted for in accordance with the requirements of the standard itself. If the standard does not provide for transition procedures, the change is booked in accordance with the method described in the previous paragraph.

Correction of errors from previous periods

In the case of significant errors, the same method that is used for changes in accounting standards illustrated in the previous paragraph is applied. In the case of non-significant errors, these are accounted for in the income statement in the period in which they are noted.

Changes in accounting estimates

Changes in accounting estimates are recognised and are booked to the income statement in the period in which the change occurs, so long as the change only affects this period; where the change also affects future periods, the changes are booked in both the period in which the change occurs and in the future period.

- **4.25 RISK AND CAPITAL MANAGEMENT**

As in all businesses, risk factors which may affect the Group results exist and therefore preventive actions have been taken. These procedures concern the commitment and responsibilities undertaken and are subject to

4 Accounting principles (Continued)

maximum transparency and correctness. For the relative details reference is made to paragraph XVII of the Directors' report. The Company's risk management policies aim at identifying and analysing risks to which the Company is exposed, establishing appropriate limits and controls and monitoring risks with respect to those limits. These policies and the related systems are regularly revised to reflect any variations in market conditions and Group activities. For information on Risk Management, see paragraph XVI of the Group Directors' report. Maximum credit risk exposure is examined in more detail in paragraph 15 of this document. With reference to liquidity risk, defined as difficulty in fulfilling obligations related to financial liabilities settled in cash or through another financial asset, the Company provides, where possible, for sufficient funds (via centralised management of the Group treasury) to fulfil its obligations upon maturity both under normal conditions and in the event of financial difficulty, without having to incur excessive charges or risk damaging its reputation. A detailed analysis of the due dates for financial liabilities is contained in paragraphs 21 and 26 hereof. The Board of Directors provides for a high level of capital management policies in order to maintain trust among investors, creditors and the market, allowing for future development. The Board also monitors capital returns, understood as the result from operations compared with total shareholders' equity. Furthermore, the Board of Directors monitors the level of dividends to be distributed to holders of ordinary shares. For details on the Company's debt/equity ratio, see paragraph IX of the Directors' report.

- **4.26 RELATED PARTIES**

Following the introduction of Consob Regulation of March 12, 2010, adopted with Resolution no. 17221 and subsequently amended with Resolution no. 17389 of June 23, 2010 enacting provisions concerning Transactions with Related Parties, Engineering Ingegneria Informatica S.p.A., approved through Board of Directors' resolution of November 12, 2010, with effect on January 1, 2011, the procedure for the identification and carrying out of Transactions with Related Parties. During the financial year the Company carried out transactions with a number of related parties. All balances with related parties were determined under normal market conditions. The general conditions governing transactions with senior executives and their related parties do not appear to be any more favourable than those applied, or which may have been reasonably applied, in the event of similar transactions under normal market conditions with executives without strategic responsibility of the same entities.

- **4.27 NEW IFRS AND IFRIC INTERPRETATIONS**

Accounting standards, amendments and IFRS and IFRIC interpretations applied from January 1, 2017

The accounting standards adopted by the Company for the drawing up of these annual financial statements are the same as those used for the annual financial statements as of December 31, 2016, with the exception of the standards and interpretations listed below:

- **Amendments to IAS 7—Disclosure Initiative**

  On January 29, 2016, the IASB published the document ***"Disclosure Initiative (Amendments to IAS 7)"***, which contains amendments to the international accounting standard IAS 7. The document aims at supplying some clarification to improve information on financial liabilities. In particular, amendments require to supply disclosures that allow users of the financial statements to understand changes in liabilities resulting from lending transactions, including changes resulting from monetary movements and changes resulting from non-monetary movements. The amendments do not envisage a specific format to be used for disclosures. However, the amendments introduced require that an entity should provide for a reconciliation between opening balance and closing balance for liabilities resulting from lending transactions. Comparative information related to previous years is not required. The adoption of these amendments had no impact on the Group's financial statements for the year.

- **Amendments to IAS 12 "Recognition to Deferred Tax Assets for Unrealised Losses"**

  On January 19, 2016, the IASB published the document ***"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)"***, which contains amendments to the international accounting standard IAS 12.

4 Accounting principles (Continued)

The document aims at supplying some clarification on the recording of deferred tax assets on unrealised losses in the measurement of "Available for sale" financial assets upon occurrence of determined circumstances and the estimate of taxable income for future financial years. The adoption of these amendments had no impact on the Group's financial statements for the year.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Group as of December 31, 2017

- **IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014, the IASB published the standard ***IFRS 15—"Revenue from Contracts with Customers"***, which aims to replace the standards IAS 18—Revenue and IAS 11—Construction Contracts, as well as the interpretations IFRIC 13—Customer Loyalty Programmes, IFRIC 15—Agreements for the Construction of Real Estate, IFRIC 18—Transfers of Assets from Customers and SIC 31—Revenues-Barter Transactions Involving Advertising Services, together with further clarification published on April 12, 2016. The standard establishes a new model for revenue recognition which will be applied to all contracts stipulated with customers, with the exception of those falling within the realm of application of other IAS/IFRS standards such as leasing, insurance and financial instrument contracts. The fundamental steps for booking revenues according to the new model are as follows:

- identification of the contract with the customer;
- identification of the performance obligations of the contract;
- price determination;
- allocation of the price to the performance obligations of the contract;
- criteria for registration of the revenue when the entity satisfies each performance obligation.

The standard can be applied as from January 1, 2018.

Conversely, amendments to IFRS 15 Clarifications to IFRS 15—Revenue from Contracts with Customers, issued by IASB in April 2016, have been endorsed by the European Union on November 6, 2017.

In 2017, the Group performed a preliminary evaluation on the possible effects of IFRS 15. The analyses will be completed in 2018. Based on the aforesaid analyses related to the application of IFRS 15, the Directors deem that effect resulting from its application will be irrelevant.

- **IFRS 9—Financial Instruments**

On July 24, 2014, the IASB published the final version of ***IFRS 9—"Financial Instruments"***. The document includes the results of the IASB project, aimed at superseding the IAS 39 standard. The new standard should be applied by the financial statements as of January 1, 2018 or subsequent years.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, and in the case of financial assets, the new standard utilises a unique approach based on the modalities for management of financial instruments and on the characteristics of contractual cash flows of the financial assets themselves in order to determine the valuation criterion, thereby replacing the various rules provided for by IAS 39. In the case of financial liabilities, on the other hand, the primary modification concerned the booking of changes in the fair value of a financial liability classified as a financial liability and measured at fair value in the income statement in the case that these changes were due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be booked in "Other comprehensive income" and no longer in the income statement. Moreover, in the event of non- substantial modifications of liabilities, it is no longer allowed to spread the economic effects of renegotiation over the residual duration of the payable, by modifying the effective interest rate at that date, and the related effect will have to be recognised in the income statement.

4 Accounting principles (Continued)

With reference to impairment, the new standard requires that the estimate of losses on receivables must be implemented on the basis of the model of expected losses (and not the model of incurred losses utilised by IAS 39) by using supportable information that is available without unreasonable charges or efforts and which include historical, current or forecasted data. The standard requires that this impairment model be applicable to all financial instruments, i.e. to financial assets measured at their amortised cost as well as those measured at fair value through other comprehensive income, receivables deriving from rental contracts and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements needed by the current IAS 39, which are occasionally considered too strict and unsuitable to reflect the risk management policies of companies. The primary novelties within the document include the following:

- an increase in the type of transactions eligible for hedge accounting, even including the risks of non-financial assets/liabilities which are eligible to be managed in hedge accounting;
- a change in the modalities for booking forward contracts and options when these are included in a hedge accounting relationship and in order to reduce the volatility of the income statement;
- changes to the efficacy test through the replacement of the current modalities based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and hedging instrument; in addition, an evaluation of the retrospective efficacy of the hedging relationship will no longer be requested.

The increased flexibility of the new accounting rules is counterbalanced by additional requests for reporting on the risk management activities of the Group.

Based on the analyses performed, the Directors expect that the application of IFRS 9 will not have a significant impact on the amounts as well as on the related information reported within the Group's financial statements for the year.

- **IFRS 16 " Leases"**

On January 13, 2016, the IASB published the standard ***IFRS 16—Leases*** which will replace IAS 17—Leases, as well as the interpretations 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.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of a good in order to distinguish leasing contracts from service contracts while identifying the following as discriminating factors: identification of the good, the right of replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and the right to manage the use of the good underlying the contract.

The standard provides for a single model for the recognition and measurement of leasing contracts for the lessee and which includes the booking of the assets also subject to an operating lease under assets and with an offsetting item equal to a financial payable, thereby providing for the possibility of not recognizing contracts, which involve low-value assets, as well as leases with a contractual duration equal to or less than 12 months, as leasing contracts. On the contrary, the standard does not include significant changes for lessors.

The standard is applicable as from January 1, 2019 but early application is allowed solely for companies which applied IFRS 15—Revenue from Contracts with Customers in advance.

The Directors intend to apply IFRS 16 as from January 1, 2019 using the modified retrospective approach. The Directors expect that the application of IFRS 16 will have a significant impact on the amounts as well as on the related information reported within the Group's financial statements for the year. In particular, it will involve an improvement of EBITDA due to the fact that lease instalments will no longer be accounted for under item "Service costs" and, above all, over the first years of duration of the lease contracts:

- an increase in financial assets and liabilities in the statement of financial position;

4 Accounting principles (Continued)

- a worsening in the net financial position (NFP) due to the increase in financial liabilities;
- a worsening in pre-tax profit deriving from amortisation/depreciation and financial charges (higher in the first years of lease contracts).

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

As of the date of reference of these annual financial statements, the competent bodies of the European Union had not yet completed the process of approval that is necessary for the adoption of the amendments and standards described below.

- **Amendments to IFRS 2 "Classification and measurement of share-based payment transactions"**

  On June 20, 2016, IASB published the document ***"Classification and measurement of share-based payment transactions (Amendments to IFRS 2)"***, which contains amendments to the international accounting standard IFRS 2. Amendments supply some clarification in relation to accounting of the effects of vesting conditions, in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of amendments to terms and conditions of a share-based payment, which modify the classification from cash-settled to equity-settled. Amendments are applicable as from January 1, 2018 but early application is allowed. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **"Annual Improvements to IFRSs: 2014-2016 Cycle"**

  On December 8, 2016 the IASB published the document ***"Annual Improvements to IFRS's document: 2014-2016 Cycle"***, which includes the amendments to certain standards within the annual improvement process. The main amendments involve:

  - IFRS 1 First-Time Adoption of International Financial Reporting Standards—Deletion of short-term exemptions for first-time adopters. The amendment to this standard is applicable at the latest to accounting periods beginning on January 1, 2018 and concerns the cancellation of some short-term exemptions envisaged in paragraphs E3-E7 in the Appendix E of IFRS 1 as it is deemed that the benefit of these exemptions no longer exists.
  - IAS 28 Investments in Associates and Joint Ventures—Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or other qualifying entity (such as a mutual fund or similar entity) to measure investments in associates and joint ventures, measured at fair value through profit or loss (rather than by using the equity method), should be performed for each single investment upon initial recognition. The amendment can be applied as from January 1, 2018.
  - IFRS 12 Disclosure of Interests in Other Entities—Clarification of the scope of the Standard. The amendment clarifies the application scope of IFRS 12, and specifies that disclosures required by the standard, except for the ones envisaged in paragraphs B10-B16, also apply to interests held for sale, held for distribution to Shareholders and discontinued operations in accordance with IFRS 5. This amendment is applicable as from January 1, 2017. However, as the standard has not yet been endorsed by the European Union, the Group did not adopt it as of December 31, 2017. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **"Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)"**

On December 8, 2016, IASB published the document ***"Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)"***. This interpretation aims at supplying guidelines from transactions carried out in a foreign currency, where non-monetary advances and payments on account are recognised in the

4 Accounting principles (Continued)

financial statements before the recognition of the related assets, costs or revenue. This document gives indication on how the entity should determine the date of a transaction and therefore the spot exchange rate to be used when transactions in foreign currency are carried out, in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier between:

a) the date in which the advanced payment or the payment on account received are recorded in the entity's financial statements;

b) the date in which the assets, the cost or the revenue (or part of the same) is recorded in the financial statements (with consequent reverse of the advanced payment or the payment on account received).

In the event of a number of advances or payments on account received, a transaction date must be identified for each of these transactions. IFRIC 22 is applicable as from January 1, 2018. The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **"Transfers of Investment Property (Amendments to IAS 40)"**

On December 8, 2016, IASB published the document ***"Transfers of Investment Property (Amendments to IAS 40)"***, which contains some amendments to the international accounting standard IAS 40. These amendments clarify transfers of investment property to, or from investment property. More specifically, an entity must reclassify a property to, or from investment property only when there is a change in use. A change in use must be related to a specific event occurred and shall not be limited to a change in the management's intentions of an entity for the use of a property.

The amendment are applicable as from January 1, 2018.

Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**

On June 7, 2017 the IASB issued the interpretation document ***IFRIC 23—Uncertainty over Income Tax Treatments***. The document deals with uncertainty over tax treatments to be adopted on income taxes. The document sets out that uncertainty when determining tax credits or tax loss be reported in the financial statements only when it is probable that the entity will pay or recover the amount. Moreover, no other disclosure obligation is envisaged in the document but it is highlighted that the entity shall determine whether it will be necessary to supply information on remarks made by the Management on the uncertainty related to tax accounting, in compliance with IAS 1.

The new interpretation is applicable as from January 1, 2019 but earlier application is permitted.

Directors deem that the adoption of these interpretations will have no material impact on the Group's financial statements for the year.

- **Amendments to IFRS 9 "Prepayment Features with Negative Compensation"**

On October 12, 2017 the IASB published the document ***"Prepayment Features with Negative Compensation (Amendments to IFRS 9)"***. This document specifies that a debt instrument, which contains prepayment options, might fulfil the features of contractual cash flows (SPPI test) and might accordingly be measured based on the amortised cost method or on the fair value method, through other comprehensive income, also in the event that the reasonable additional compensation be envisaged when the prepayment is a negative compensation for the lender. The amendment is applicable as from January 1, 2019 but earlier application is permitted. Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

4 Accounting principles (Continued)

- **Amendments to IAS 28—Long-term Interests in Associates and Joint Ventures**

On October 12, 2017, the IASB published the document ***"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"***. This document clarifies that an entity shall apply IFRS 9, including requirements related to impairment, to other long-term interests in associated companies or joint ventures to which the equity method is not applied. The amendment is applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **" Annual Improvements to IFRSs: 2015-2017 Cycle"**

On December 12, 2017, the IASB published the document ***"Annual Improvements to IFRSs: 2015-2017 Cycle"***, which includes the amendments to the standards within the annual improvement process. The main amendments involve:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity gains control of a business that is a joint operation, it shall remeasure the interests previously held in this business. Conversely, this process is not envisaged in the event of a joint control.
- IAS 12—Income Taxes: this amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for consistently with the transaction that generated the profit (income statement, OCI or equity).
- IAS 23—Borrowing Costs: the amendment clarifies that in the event of loans that are still in place after the reference qualifying asset is ready for use or sale, these amounts become part of the amounts used to calculate the borrowing costs.

The amendments are applicable as from January 1, 2019 but earlier application is permitted.

The Directors are currently evaluating the possible impact of the introduction of these amendments on the Group's financial statements for the year.

- **Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"**

On September 11, 2014, the IASB published an amendment to ***IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***. The document was published for the purposes of resolving the current conflict between IAS 28 and IFRS 10.

In accordance with provisions of IAS 28, the profit or loss resulting from the transfer or conferment of a non-monetary asset to a joint venture or associated company in exchange for a share capital quota of the latter is limited to the quota retained in the joint venture or associate by other investors which are external to the transaction. Conversely, the standard IFRS 10 provides for the booking of the entire profit or loss in the case of loss of control of a subsidiary, even if the entity continues to retain a non-controlling quota and including in this case even the transfer or conferment of a subsidiary to a joint venture or associated company. The amendments introduced envisage that in the sale or conferment of an asset or a subsidiary to a joint venture or associated company, the measurement of a profit or loss to be recognised in the financial statements of the transferring/receiving company will depend on whether the assets or the subsidiary sold or conferred represent a business, as envisaged by IFRS 3. If the assets or subsidiary sold or conferred represent a business, the entity shall recognise the profit or loss on the entire portion previously held. Conversely, the portion of profit or loss, related to the interest which is still held by the entity, should be derecognised. At the moment, the IASB has suspended the application of this amendment.

Directors deem that the adoption of these amendments will have no material impact on the Group's financial statements for the year.

4 Accounting principles (Continued)

- **4.28 SEASONALITY OF GROUP TRANSACTIONS**

  The activities of the Group are not subject to seasonality.

A) Non-current assets

5 Property, plant and equipment

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Property, plant and equipment	38,304,315	26,267,690	12,036,625

Description	31.12.2017			31.12.2016		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
			(in Euros)			
Land and buildings	19,166,681	790,343	18,376,338	9,779,248	165,082	9,614,167
Plant and machinery	6,527,603	2,153,622	4,373,981	5,652,260	1,154,449	4,497,810
Industrial and commercial equipment	68,666,754	56,529,307	12,137,447	53,955,504	45,217,223	8,738,280
Other assets	4,854,874	2,006,515	2,848,359	3,189,041	574,735	2,614,307
Leasehold improv.	1,703,841	1,135,697	568,144	1,331,318	528,238	803,080
Total	**100,919,754**	**62,615,484**	**38,304,315**	**73,907,372**	**47,639,727**	**26,267,690**

The changes in property, plant and equipment in the year were as follows:

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improv.	Total
			(in Euros)			
Balance as of 31.12.2016	**9,614,167**	**4,497,810**	**8,738,280**	**2,614,307**	**803,080**	**26,267,690**
Exchange difference effect	(382,947)	(3,955)	(41,629)	(27,258)	(25,877)	(481,665)
Increase	9,770,379	674,737	5,215,821	745,798	129,380	16,536,115
Decrease	0	(730)	(704,009)	(153,733)	(84,882)	(943,355)
Decr. in accumulated depreciation	0	730	582,734	103,018	38,810	725,292
Depreciation	(625,261)	(997,509)	(4,349,711)	(730,925)	(299,288)	(7,002,694)
Change in consolidation scope	0	202,897	2,695,960	297,153	6,922	3,202,933
Balance as of 31.12.2017	**18,376,338**	**4,373,981**	**12,137,447**	**2,848,359**	**568,144**	**38,304,315**

All property, plant and equipment are operational and effectively utilised in Company operations and there are no obsolete assets requiring replacement in the short-term which were not depreciated.

The increase in item “Land and buildings”, equal to Euro 9.7 million, results essentially from the subscription of two property rental contracts with Mediocredito Italiano S.p.A..

The following table shows the breakdown of leased assets included in item “Land and buildings” as of December 31, 2017:

Description	2017
	(in Euros)
Historical cost of leased assets	9,746,571
Accumulated depreciation of leased assets	(295,351)
Total	**9,451,221**

5 Property, plant and equipment (Continued)

This transaction referred to the lease of a real estate property in Turin, in the area of former Officine Savigliano, of which reference is made to the following paragraph 20. The transfer of the two contracts was formalised with Notary Deed of February 23, 2017, in particular:

- the contract no. 890731 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is envisaged on December 23, 2023;
- the contract no. 890732 envisages instalments to be paid for the principal of Euro 4.1 million, in addition to interest of Euro 0.5 million and the redemption price of Euro 0.1 million. The balance of the last instalment is envisaged on December 23, 2023.

Pursuant to IAS 17, the two properties under finance leases are recorded at cost under tangible fixed assets, with a counter-entry in the financial payable to the lessor, and are depreciated according to the useful life of the asset and consistently with the nature of the individual asset. The financial charge is incurred in the income statement for the duration of the contract.

The increase in "Industrial and commercial equipment", equal to Euro 5.2 million, mainly relates to the purchase of new hardware for in-house use.

Decreases, equal to Euro 0.2 million, less the related accumulated depreciation, are due to the sale, scrapping and/or donation of obsolete and/or fully depreciated computers, the depreciation portion for the year and the negative balance of exchange differences that are substantially attributable to the depreciation of the Brazilian Real compared to the Euro.

6 Intangible assets

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Intangible assets	477,865,612	484,202,558	(6,336,946)

Description	31.12.2017			31.12.2016		
	Historical cost	Accumulated amortisation	Net value	Historical cost	Accumulated amortisation	Net value
			(in Euros)			
Development costs	2,295,466	958,830	1,336,636	2,275,305	327,173	1,948,133
Industrial patents and intellectual property	35,376,980	27,366,706	8,010,274	26,113,802	20,694,432	5,419,370
Concessions, licences and trademarks	453,060,691	9,916	453,050,775	453,056,567	3,311	453,053,256
Assets in progress	6,288,879	0	6,288,879	1,112,873	0	1,112,873
Other assets	44,619,531	35,440,484	9,179,048	35,553,107	12,884,180	22,668,927
Total	**541,641,549**	**63,775,936**	**477,865,613**	**518,111,654**	**33,909,095**	**484,202,558**

6 Intangible assets (Continued)

The changes in intangible assets, occurred during the year, are detailed as follows:

Description	Development costs	Industrial patents and intellectual property	Conc., licences and trademarks	Assets in progress	Other assets	Total
			(in Euros)			
Balance as of 31.12.2016	**1,948,133**	**5,419,370**	**453,053,256**	**1,112,873**	**22,668,927**	**484,202,558**
Exchange difference effect	(632)	(322,749)	0	0	0	(323,381)
Increase	6,835	6,061,443	4,124	5,176,007	4,271,032	15,519,442
Decrease	(6,152)	0	(1,656)	0	(329,086)	(336,894)
Decr. in accumulated amortisation	0	(0)	0	0	(72)	(73)
Amortisation	(613,598)	(3,842,576)	(6,447)	0	(18,224,832)	(22,687,453)
Change in consolidation scope	2,051	694,786	1,499	0	793,079	1,491,414
Balance as of 31.12.2017	**1,336,636**	**8,010,274**	**453,050,775**	**6,288,879**	**9,179,048**	**477,865,613**

Intangible assets reported a total increase of Euro 15.4 million, mainly due to:

- the increase of Euro 5.9 million in item "Industrial patents and intellectual property" is mainly due to the purchase of software programmes;
- the increase in item "Assets in progress", equal to Euro 5.1 million, is due to in-house investments made by the Parent Company for the development of new solutions within the various segments in which the Group operates. Specifically:
  - in the finance area, a solution named "CPM Corporate Performance Management" is being implemented. The project envisages a cost of around Euro 1.5 million and its completion is expected within the 2nd half of 2018;
  - in the Health area, a System to support processes in intensive care units, named "ICU Intensive Care Unit", is being implemented. The project envisages a cost of around Euro 1.3 million and its completion is expected within the 1st half of 2018;
  - in the Energy Utilities area, the Cloud platform is being implemented for the Energy & Utilities "Net@ SUITE Cloud Edition". The investment, totalling around Euro 2.1 million, was completed at the beginning of 2018 and will start to be amortised over a period of five years. The product "Net@2A" is also being implemented. This is a new product for the management of the integrated water service and the environmental hygiene service in view of a Cloud Service. The total investment was estimated in around Euro 2 million.
- the increase of Euro 4.3 million of item "Other intangible assets" is mainly attributable to the allocation, at the acquisition date of control (January 2017), of the price paid for the Dekra Italia S.r.l. Business Unit, as detailed in paragraph 1.2 herein. In particular, the Performance Management Business Unit, was purchased from the company Dekra Italia S.r.l., operating in the field of managerial consultancy services through applications and technological platforms. The measurement at fair value of the assets acquired led to the determination of the customer relationship. The amount calculated at the acquisition date was equal to Euro 2.0 million (in addition to Euro 0.4 million of deferred tax liabilities). The residual period of amortisation is 2 years.

The item "Concessions, licences and trademarks" includes the trademark, with retroactive effect in 2016 and amounting to Euro 453 million, including deferred tax assets (equal to around Euro 126 million). The trademark refers to the fair value of the Engineering brand. This value emerged upon completion of the accounting activities connected with the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries, by Mic Bidco S.p.A., as thoroughly described in the section on relevant transactions in the Explanatory Notes.

6 Intangible assets (Continued)

Description	As of December 31, 2016	Change in consolidation scope	Write-downs	As of December 31, 2017
		(in Euros)		
Gross value of trademark	453,039,362	0	0	453,039,362
Acc. impairment losses	—	—	—	—
Net value—trademark	**453,039,362**	**0**	**0**	**453,039,362**

The brand value recorded under intangible fixed assets was determined through an estimate of the fair value of the assets, made with the support of an independent expert and based on assumptions considered reasonable and realistic on the basis of information available at the date of acquisition of control. The method used to estimate the value of the trademark was chosen by taking account of the purposes of the transaction and the features of the intangible asset itself. In particular, in line with the literature and the best professional practice, the value of the trademark owned by Engineering was determined by using the income-based method, based on the discounting of future benefits attributable to the intangible asset subject to value appraisal.

The income-based method was applied to the version known as the RFR method (Relief from Royalties Method). Royalties were calculated as a percentage of revenues associated to the Plan prepared by the Company's management in relation to the 2016-2031 period. For the royalty rate valuation, the EBIT margin related to each year of the Plan (royalty rate equal to 2.32%) was considered. Moreover, a scenario was assessed by applying the 25 per cent rule to a measure of central tendency of analysts' best estimates with respect to the estimated values of applicable EBIT margins related to the sector Engineering Ingegneria Informatica S.p.A. operates. The discount rate used to assess the value of the trademark is equal to 6.85% . The growth rate over the long period is equal to 2.0% .

The trademark is a right which is legally protected through the registration at the competent Authorities. By reason of the fact that this right has no legal, contract, competitive or economic term which limits its useful life, the same is classified as indefinite life intangible asset and therefore it is not amortised but it is subject to impairment loss when tested for impairment, as provided for by IAS 36.

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the value of the trademark tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

It should be noted that the recoverable value of the trademark was prudently estimated and in compliance with the relevant accounting standard and in line with IFRS measurement practices.

The recoverable value—the "value in use" of the trademark—was obtained through discounting of cash flows (DCF Model) over a five-year timing, based on the 2018 budget and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate ("g rate"), which does not exceed the long-term growth estimates of the sector and the Country where Engineering Ingegneria Informatica S.p.A. operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.

In determining the "value in use" the following elements have therefore been taken into account:

a) estimates of future cash flows generated by the entity;

b) expected possible changes in these cash flows in terms of the amount and time periods;

c) cost of money, comprising the current market risk-free rate of interest;

d) cost to assume the risk related to implicit uncertainty in the management of the Company;

e) other risk factors concerning the operations of a specific market and changes over time.

6 Intangible assets (Continued)

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above, which led to determine a WACC equal to 7.76%, were as follows:

- Risk free rate: equal to 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);
- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by the Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Group;
- Beta unlevered: equal to 1;
- Long Term Growth ("g rate"): equal to 0.5%;

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted "free cash flow" and the Terminal Value itself.

Moreover, a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:

- Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%
- Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

The recoverability of trademark value is also confirmed, with respect to other hypotheses, also taking account of a "g rate" growth rate equal to 0%.

As already specified, within the context of the Purchase Price Allocation, the Customer relationship was also determined as per income assessment discounted by the prospective residual margins resulting from specific contracts of the Engineering Ingegneria Informatica S.p.A. Group. The value was determined through an income assessment discounted by the prospective residual margins resulting from specific contracts of the Parent Company Engineering Ingegneria Informatica S.p.A. and some of its subsidiaries. In particular, in determining the fair value of the customer relationship, cash flows were discounted. The amount calculated at the acquisition date was equal to around Euro 27 million (including around Euro 7 million of deferred tax liabilities). The residual period of amortisation is 1 year.

6 Intangible assets (Continued)

The average residual amortisation period is as follows:

Description	Amortisation, remaining years	Remaining amount
	(in Euros)	
Development costs	1	1,241
Development costs	2	1,331,673
Development costs	3	1,241
Development costs	4	1,241
Development costs	5	1,241
Total development costs		**1,336,636**
Industrial patents and intellectual property	1	895,702
Industrial patents and intellectual property	2	377,789
Industrial patents and intellectual property	3	1,969,478
Industrial patents and intellectual property	4	373,821
Industrial patents and intellectual property	5	4,354,933
Industrial patents and intellectual property	6	32,922
Industrial patents and intellectual property	8	5,627
Total industrial patents and intellectual property		**8,010,273**
Concessions, licences and trademarks	3	19,184
Concessions, licences and trademarks	4	2,229
Trademark	indefinite useful life	453,029,362
Total concessions, licences and trademarks		**453,050,775**
Other assets	1	5,322,157
Other assets	3	2,777,751
Other assets	4	407,704
Other assets	6	671,436
Total other assets		**9,179,048**
Total intangible assets		**471,576,732**

7 Goodwill

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Goodwill	129,985,817	57,662,300	72,323,517

Changes in goodwill, compared to the previous year, divided by Cash Generating Units, is as follows.

Description	31.12.2016	Change in consolidation scope	Exch. rate difference	31.12.2017
		(in Euros)		
Goodwill—Finance	16,344,694			16,344,694
Goodwill—Energy & Utilities	9,662,147			9,662,147
Goodwill—Telco & Media	6,819,242			6,819,242
Goodwill—PAL, Health and Taxes	13,589,040			13,589,040
Goodwill—Other	11,247,177	8,371,586	(119,828)	19,498,935
Goodwill—Infogroup S.p.A.	0	47,469,659		47,469,659
Goodwill—IT Soft US Inc.	0	16,602,100		16,602,100
Total	**57,662,300**	**72,443,345**	**(119,828)**	**129,985,817**

7 Goodwill (Continued)

Goodwill as of December 31, 2017 is equal to Euro 129,985,817 and is mainly composed of the following:

Good will existing at the beginning of the year -Euro 57,662 thousand

- in the amount of Euro 49,947 thousand, related to the transaction, occurred in 2016, for the acquisition of control of Engineering Ingegneria Informatica S.p.A. and its subsidiaries by Mic Bidco S.p.A. and allocated to Finance, Energy & Utilities, Telco & Media, PAL Health e Taxes, Engineering Excellence Centre S.r.l., OverIT S.p.A., Nexen S.p.A., Dynpro Systemas Cash Generating Units, as described in note 1.2 herein;
- in the amount of Euro 7,759 thousand, related to the transaction, occurred in 2016, for the acquisition of control of ITS Engineering AG by Engineering Ingegneria Informatica S.p.A. and allocated to the Industry and Services CGU, as described in note 1.2 herein.

Goodwill recognised during the year -Euro 72,443 thousand

- in the amount of Euro 47,469 thousand, in relation to the purchase transaction of the company Infogroup S.p.A. at end 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 16,602 thousand, in relation to the purchase transaction of the company IT Soft US Inc. and the company SedApta US Corp, occurred on September 1, 2017, as described in note 1.2 herein, and allocated to the IT Soft US Inc. CGU;
- in the amount of Euro 5,300 thousand, in relation to the purchase transaction of the company Sogeit Solutions S.r.l., occurred on July 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 1,516 thousand, in relation to the purchase transaction of the company Infinity Technology Solutions S.p.A., occurred on September 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 1,055 thousand, in relation to the purchase transaction of the company Pyxis S.r.l., merged on July 1, 2017 in the company MHT S.r.l., as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 731 thousand, in relation to the purchase transaction of the company Sofiter Tech S.r.l., occurred on May 1, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 537 thousand, in relation to the purchase transaction of the company Fair Dynamics Consulting S.r.l., merged on December 31, 2017 in the parent company Engineering Ingegneria Informatica S.p.A., as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 400 thousand, in relation to the purchase transaction of the “SP Sapiens” Business Unit, occurred on June 22, 2017, as described in note 1.2 herein, and allocated to the corresponding CGU;
- in the amount of Euro 733 thousand, in relation to the purchase transaction of the company Bekast Consulting GmbH, by the subsidiary Engineering ITS AG, as described in note 1.2 herein, and allocated to the corresponding CGU;

The 2017 exchange rate differences related to goodwill amounted to around Euro 120 thousand and refer to the goodwill of Dynpro Systemas S.A., as the value in local currency remained unchanged.

The analysis was performed to determine the goodwill recoverable value, which was allocated to Cash Generating Units (CGU) to which it is referred.

CGU is defined as an asset or small group of assets that generate incoming cash flows that are widely independent from the incoming cash flows resulting from other assets or group of assets. The CGUs were

7 Goodwill (Continued)

determined based on the market segments and the single operating investees, consistently with the corporate Management view in terms of monitoring of results and economic planning.

An analysis of the total value of goodwill was made as per the IAS 36 and IFRS 3 International Accounting Standards. The value of the goodwill as of December 31, 2017, tested for impairment, was Euro 129,985,817, as described hereunder.

Description	31.12.2017
	(in Euros)
Goodwill—Finance	16,344,694
Goodwill—Energy & Utilities	9,662,147
Goodwill—Telco & Media	6,819,242
Goodwill—PAL, Health and Taxes	13,589,040
Goodwill—Dynpro Systemas S.A.	757,874
Goodwill—OverIT S.p.A.	1,854,482
Goodwill—Nexen S.p.A.	410,814
Goodwill—Engineering Excellence Center S.r.l.	345,175
Goodwill—Engineering ITS AG	5,857,216
Goodwill—Infogroup S.p.A.	47,469,659
Goodwill—Fair Dynamics Consulting S.r.l.	537,193
Goodwill—Sofiter Tech S.r.l.	731,049
Goodwill—SP Sapiens	400,000
Goodwill—Pyxis S.r.l.	1,055,376
Goodwill—IT Soft US Inc.	16,602,100
Goodwill—Infinity Tecnology Solutions S.p.A.	1,516,608
Goodwill—Sogeit Solutions S.r.l.	5,300,006
Goodwill—Bekast IT Consulting GmbH	733,142
Total	**129,985,817**

Based on the tests carried out according to the methods described above and according to special modalities described hereunder, the aggregate value of the goodwill tested for impairment was deemed as adequately supported in terms of expected economic results and related cash flows. Therefore, there is no evidence at the present date for the Company to proceed with any write-down.

It should be noted that the recoverable value of the CGUs was prudently estimated and in compliance with the relevant accounting standard and in line with IFRS measurement practices.

The recoverable value—the "value in use" of the CGUs—was obtained through discounting of cash flows (DCF Model) over the four-year timing for each single CGU, based on the 2018 budget and assumptions for the following years made by the related Management. The Terminal Value was estimated by using the perpetual annuity, applying the growth rate ("g rate"), which does not exceed the long-term growth estimates of the sector and the Country where the CGU operates.

The determination of the discount rate referred to the Capital Assets Pricing Model, one of the most accredited methods in literature and professional best practice, based on indicators and parameters that can be observed on the market.

In determining the "value in use" the following elements have therefore been taken into account:

a) estimates of future cash flows generated by the entity;

b) expected possible changes in these cash flows in terms of the amount and time periods;

c) cost of money, comprising the current market risk-free rate of interest;

d) cost to assume the risk related to implicit uncertainty in the management of the CGU;

e) other risk factors concerning the operations of a specific market and changes over time.

7 Goodwill (Continued)

Hereunder are the main basic assumptions, used for impairment testing.

Description	Terminal value growth percentage	Post Tax WACC* 2017	Post Tax WACC* 2016
		(in Euros)	
Finance	0.50%	7.76%	7.17%
Energy & Utilities	0.50%	7.76%	7.17%
Telco & Media	0.50%	7.76%	7.17%
Public Local Administration, Health and Municipia S.p.A.	0.50%	7.76%	7.17%
OverIT S.p.A.	0.50%	7.63%	6.71%
Nexen S.p.A.	0.50%	8.30%	7.17%
Engineering Excellence Center S.r.l.	0.50%	7.76%	7.17%
ITS Engineering AG	0.50%	8.30%	n.a.
Infogroup S.p.A.	0.50%	8.30%	n.a.
Fair Dynamics Consulting S.r.l.	0.50%	8.30%	n.a.
Sofiter Tech S.r.l.	0.50%	8.30%	n.a.
SP Sapiens S.r.l.	0.50%	7.76%	n.a.
Pyxis S.r.l.	0.50%	7.85%	n.a.
IT Soft US Inc.	0.50%	8.30%	n.a.
Infinity Technology Solutions S.r.l.	0.50%	8.01%	n.a.
Sogeit Solutions S.r.l.	0.50%	8.30%	n.a.
Dynpro Systemas S.A.	0.50%	8.30%	n.a.

* *Weighted Average Cost of Capital.*

The parameters utilised for discounting the cash flows and the Terminal Value under the DCF model illustrated above were as follows:

- Risk free rate: equal to 2%, rate used by Banca IMI (former Corporate Broking of Engineering until delisting) at end of 2017 (Annexes Equity Risk Premium 2017);
- Equity Risk Premium: equal to 6.30%, the higher yield estimated from the (share) investment market, compared to an investment in risk-free debt securities. The benchmark rate for measurements is the one used by the Banca IMI at end 2017;
- Debt cost: equal to 1%, the average indebtedness cost (long and short term) of the Group;
- Beta unlevered: equal to 1;
- Long Term Growth (“g rate”): equal to 0.5%.

As recommended by the best practice, the component of the Terminal Value was limited to a maximum of 70% of the total sum of the discounted “free cash flow” and the Terminal Value itself.

Moreover, for all CGUs a sensitivity analysis was performed on the increase in the 1% discount rate. This analysis highlighted no impairment losses.

To this purpose, it is worth noting that, to determine the WACC, the following was used:

- Risk free rate: equal to 2% when the gross yield of 5-year BTPs is equal to 0.90%;
- Equity Risk Premium: equal to the Euro Stoxx one (6.30%), compared to the one for Italy (5.50%).

As a consequence, the approach used included parameters of absolute prudence by using a high WACC, compared to Group characteristics. The recoverability of goodwill is also confirmed, with respect to other hypotheses, also taking account of a “g rate” growth rate equal to 0%.

8 Equity investments

Investment in associated companies measured at equity

The book value and portions of shareholders' equity related to investments in associated companies are shown hereunder. The data are taken from statutory financial statements approved by the Boards of the related companies.

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Equity investments	150,975	131,573	19,402

Changes in investments:

Investments	Value as of 31.12.2016	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2017
				(in Euros)			
In associated companies	131,573	125,000	0	(22,000)	(83,598)		150,975
Total	**131,573**	**77,534**	**—**	**(549,140)**	**(83,598)**		**150,975**

b) Associated companies

Investments in associated companies is as follows:

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2016	%
					(in Euros)				
SI Lab—Calabria S.c.a.r.l.	Rende	97,162	85,193	30,000	11,969	38,515	(8,350)	7,200	+24
SI Lab—Sicilia S.c.a.r.l.	Palermo	33,997	2,687	30,000	31,310	13,521	1,131	3,525	+24
Consorzio Sirio	Palermo	134,187	122,513	5,000	11,674	16,281	(48,936)	78,598	+49
Consorzio Engbas in liquidation	Florence	46,810	5,687	50,000	41,123	6	(2,915)	22,000	+50
Cento-6 Società consortile S.c.a.r.l.	Milan	14,424	1,040	20,000	13,384		(518)	5,000	+25
Consorzio Sanimed Group	Terni							3,000	+25
DST IT Services GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Total								**131,573**	

	City	Assets	Liabilities	Share capital	Shareholders' equity	Revenues	Net profit/ (loss)	Value as of 31.12.2017	%
					(in Euros)				
SI Lab—Calabria S.c.a.r.l.	Rende	460,712	440,755	30,000	19,957	46,962	7,987	7,200	+24
SI Lab—Sicilia S.c.a.r.l.	Palermo	33,286	1,000	30,000	32,286	13,480	975	3,525	+24
Consorzio Sanimed Group	Terni	0	0	0	0	0	0	3,000	+25
DST IT Services GmbH	Stuttgart	24,263	60	25,000	24,203	0	(797)	12,250	+49
Unimatica S.p.A	Bologna			500,000				125,000	+25
Total								**150,975**	

8 Equity investments (Continued)

Data from associated companies reported a net increase of Euro 19,402 due to:

- write-down totalling Euro 78,598 of the equity investment of Consorzio Sirio performed by the Parent Company;
- write-down totalling Euro 5,000 of the equity investment of the company Cento-6 Società consortile S.c.a.r.l. performed by the Parent Company;
- winding-up totalling Euro 22,000 of the company Consorzio Engbas performed by the Parent Company;
- write-up of Euro 125,000 for the company Unimatica S.p.A., performed by the company Infogroup S.p.A

9 Deferred tax assets

Prepaid tax assets were recognised among assets both in the current period and in the previous period in so far, as their realisation as tax income is considered probable in the year in which these prepaid tax assets will be reversed in the income statement. These concern the temporary differences between the book values and the tax recognised values of some financial statement items.

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Deferred tax assets	32,251,670	21,968,822	10,282,848

The calculation of deferred tax assets was carried out through critically evaluating the existence of future recoverability requisites of these assets. They are calculated at the current rates (24.0% for IRES and based on regional rates for IRAP) and recorded in the entries shown in the table hereunder:

Description	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
		(in Euros)		
All. to other prov. and charges	9,406,076	2,380,253	3,391,111	908,700
IAS amortisation	2,762,972	478,588	3,063,395	519,890
Goodwill	540,825	150,078	647,934	179,907
Directors' fees	1,353,345	324,803	1,206,570	289,577
Doubtful debt provision	38,238,031	9,131,062	24,927,464	6,040,095
Provisions for risks	22,580,193	6,315,474	12,243,729	3,286,069
Leaving incentives	5,023,969	1,205,752	24,053,945	5,772,947
Financial leases	44,419	12,393	44,419	12,393
Tax losses	556,110	587,202	486,010	170,103
Adjustments for IFRS	3,220,185	898,432	3,213,024	896,434
Adjustments for IFRS IAS 19	13,344,048	3,206,891	11,776,148	2,826,276
Tax credit—Mic Bidco S.p.A. Merger	26,157,965	6,277,912		
Other	4,174,073	1,282,829	3,144,908	1,066,431
Total	**127,402,210**	**32,251,669**	**88,198,657**	**21,968,822**

The "Other" item relates essentially to the tax impact on provisions for invoices to be issued and to be received relating to the subsidiary company Engineering do Brasil, which will produce effects at statutory financial statement level on their relative payment according to tax regulations in force in Brazil.

The item "Tax credit—Mic Bidco S.p.A. Merger" refers to tax positions, recognised in the current year, of the company Mic Bidco S.p.A., merged into Engineering Ingegneria Informatica S.p.A. due to the reverse Merger. These positions are subject to anti evasion provisions as per Article 172, paragraph 7, of the T.U.I.R. (Consolidated Act on Income Taxes), for which an appeal for cancellation was filed, and refer to:

- tax losses of the merged company as of December 31, 2016 and further tax losses accrued as from January 1 to May 23, 2017, effective date of the Merger;

9 Deferred tax assets (Continued)

- temporarily deductible interest expense as of December 31, 2016 and further temporarily non-deductible interest expense accrued over the period from January 1 to May 23, 2017;
- "ACE surplus" as of December 31, 2016 and further "ACE surplus" generated in a Mic Bidco S.p.A. over a period from January 1 to May 23, 2017.

Changes in deferred tax assets are detailed below:

Description	Deferred tax assets
	(in Euros)
Balance as of 31.12.2016	**21,968,822**
Exchange difference effect	(363,479)
Increase	16,839,038
Decrease	(8,169,615)
Change in consolidation scope	1,976,903
Balance as of 31.12.2017	**32,251,670**

The decrease in deferred tax assets is mainly due to the utilisation of the leaving incentives fund.

The increase for the year is mainly attributable to the aforesaid item "Tax Credit" (Euro 6.3 million) and allocations for provisions for risks and charges (Euro 3.9 million).

10 Other non-current assets

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Other non-current assets	5,794,572	2,609,605	3,184,968

As better described later on, the item, reporting a positive change for the period of Euro 2,697,864, includes investments in other non consolidated companies, non-current financial assets and residual assets, as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Investments in other companies	2,384,117	1,541,831	842,286
Non-current financial assets	3,402,095	1,067,774	2,334,321
Total	**5,794,572**	**2,609,605**	**3,184,968**

10 Other non-current assets (Continued)

a) Investments in other companies

Changes in the investments in other non consolidated companies

The changes in investments in other non consolidated companies are broken down as follows:

Investments in other companies	Value as of 31.12.2016	Change in consolidation scope	Increase	Decrease	Write-downs	Exchange difference effect	Value as of 31.12.2017
				(in Euros)			
Banca Popolare di Credito e Servizi	7,747						7,747
Banca Credito Cooperativo Roma	1,033						1,033
Global Riviera	1,314						1,314
Tecnoalimenti S.c.p.a.	65,832						65,832
Dhitech Distretto Tecnologico High-Tech S.c.a.r.l.	36,314						36,314
Distretto Tecnol. Micro e Nanosistemi S.c.r.l.	34,683						34,683
Wimatica S.c.a.r.l. (Da Esel)	6,000						6,000
Consorzio Cefriel	115,595		76,000				191,595
Consorzio Abi Lab	1,000						1,000
Investment in Ce.R.T.A.	360						360
Consorzio Arechi Ricerca	5,000						5,000
Investments in other companies		9,000					9,000
EHealthnet S.c.a.r.l.	10,800						10,800
Distretto Tecnologico Campania Bioscience S.c.a.r.l.	20,000						20,000
Caf Italia 2000 S.r.l.	260						260
M2Q S.c.a.r.l.	3,000						3,000
SedApta S.r.l.	750,000						750,000
Consel S.r.l.			382,486				382,486
Istella S.r.l.			375,000				375,000
Investment in Novito Acque S.r.l.	100,000						100,000
Ekovision	300,000						300,000
Palantir Digital Media S.r.l.		500					500
Seta S.r.l.	82,192						82,192
Consorzio Foodnet	700				(700)		
Total	**1,541,831**	**9,500**	**833,486**		**(700)**		**2,384,117**

b) Non-current financial assets

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Tax receivables and taxes paid abroad	2,140,641	—	2,140,641
Security deposits	764,350	582,199	182,151
Others	497,104	485,575	11,529
Total	**3,402,095**	**1,067,774**	**2,334,321**

Other non-current financial assets relate to:

- receivables for taxes paid abroad refer to taxes paid abroad in relation to assets invoiced and fiscally recoverable;
- security deposits are on rented real estate properties and sundry utilities;
- the item “Others” include loans to other companies and receivables from the Inland Revenue office.

C) Current assets

11 Inventories

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Inventories	197,738	64,840	132,898

Inventories include goods and product usage licences purchased and held for resale.

12 Construction contracts

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Construction contracts	150,323,955	143,901,388	6,422,567

The item "Construction contracts", recorded net of advances, is broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Construction contracts	143,901,388	128,766,249	15,135,139
Exchange difference	(2,962,549)	4,882,294	(7,844,843)
Change in consolidation scope	5,690,351	152,994	5,537,357
Adjustments and changes in work in progress	(2,065,121)	1,220,867	(3,285,987)
Costs incurred plus profits booked according to percentage completion net of losses	410,931,342	376,032,014	34,899,328
Invoicing progress of work	(405,171,456)	(367,153,029)	(38,018,427)
Total	**150,323,955**	**143,901,388**	**6,422,567**

Construction contracts concern projects in the course of completion based on long-term contracts. They include, but are not limited to, adjustments for projects for which critical issues emerged as regards possible realisable value. The related amount is the best estimate made based on the information available to us.

13 Trade receivables

The book value of trade receivables refers to receivables from banking institutes, utilities, industry, services, public administration and companies operating in the telecommunications market.

The type of Group operations justifies the high amounts of receivables, amongst which we underline those related to public administration, contractual durations, the nature of the entity and the events such as the testing of projects. Trade receivables are all due within twelve months.

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Trade receivables	550,834,537	531,434,221	19,400,316

The breakdown is as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Customers	532,353,951	521,669,260	10,684,692
Associated companies	73,376		73,376
Others	18,407,210	9,764,962	8,642,248
Total	**550,834,537**	**531,434,221**	**19,400,316**

13 Trade receivables (Continued)

a) Customers

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Receivables on invoices issued	430,113,557	418,628,017	11,485,539
of which overdue	225,347,976	214,255,775	11,092,201
Invoices to be issued	183,724,738	174,278,060	9,446,679
Credit notes to be issued	(247,427)	(237,401)	(10,026)
Doubtful debt provision	(46,443,440)	(43,900,933)	(2,542,507)
Provision for interest in arrears	(34,793,477)	(27,098,483)	(7,694,993)
Total	**532,353,951**	**521,669,260**	**10,684,692**

The "Receivables from customers" item is equal to Euro 532,353,951, net of a doubtful debt provision amounting to Euro 46,443,440, sufficient to cover any future losses, in addition to allocations made as provision for interest in arrears (Euro 34,793,477) to cover any possible future losses related to the aforesaid entry.

Increases of the provision, over the year, take account of non-payment risks related to overdue receivables and receivables in relation to which legal proceedings are in course to redeem full recognition for the Group.

It is noted that, as of December 31, 2017, the Group factored trade receivables for the total amount of Euro 191.4 million (Euro 64.2 million as of December 31, 2016). Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore written off from the assets in the consolidated statement of financial position, according to the consideration received by factoring companies.

Receivables from customers include the exposure as of December 31, 2017, with respect to Sicilia Digitale S.p.A. (former Sicilia e-Servizi S.p.A. or "SISE"), equal to Euro 127,840,671 (net of the doubtful debt provision amounting to Euro 11,198,406 and provision for interest in arrears amounting to Euro 33,910,922), in addition to Euro 14,526,757 of construction contracts, were related to the IT activities connected with the building of an integrated IT platform for the Sicilian Region within specifications and provisions set out in the convention signed between the Sicilian Region, Sicilia Digitale S.p.A. and Sicilia e-Servizi Venture S.c.a.r.l. in liquidation ("SISEV" or "Venture") on May 21, 2007 and expired on December 22, 2013.

In the mutual interest, on October 9, 2012 SISEV, the Sicilian Region and Sicilia Digitale S.p.A. signed an "Agreement" which regulated the repayment of SISEV receivables, indicating the final repayment date on December 31, 2013. Moreover, this agreement outlined that the Sicilian Region was undertaking to carry out controls and provide Sicilia Digitale S.p.A. with all the technical and economic means, so as the latter would have been able to correctly fulfil its obligations, and envisaged that, while executing the agreement, such obligations would have been undertaken by SISEV. Sicilia Digitale S.p.A. and the Sicilian Region fulfilled their obligations only partially as to the receivable refunding plan, as envisaged by the agreement, although no objections were arisen with respect to the correct performance of services rendered.

Given the non payments of Sicilia Digitale S.p.A., on June 26, 2013, SISEV filed a petition for an order of payment before the Court of Palermo against Sicilia Digitale S.p.A., and obtained the payment order for Euro 30,051,530.90 (in addition to interests, expenses and remunerations, VAT and CPA), for which, however, no execution order was given. Moreover, Sicilia Digitale asked, and on October 2, 2013 obtained the provisional execution of the payment order for Euro 93,163,203 with respect to the Sicilian Region. Following the sale by SISEV of the entire shareholding to the Sicilian Region, Sicilia Digitale S.p.A. unjustifiably left the lawsuit started by the previous Director to obtain the payment of the aforesaid amount from the Sicilian Region.

Therefore, to safeguard its rights, on July 18, 2014 SISEV applied for a distraint order over all receivables from the Sicilian Region to Sicilia e-Servizi S.p.A., up to the entire amounts receivable accrued by the company. On November 10, 2014, the Court of Palermo rejected SISEV's request while underlying that *"given that, besides Sicilia Digitale S.p.A., also the Sicilian Region (via its accountant general), an undoubtedly solvent entity, is directly committed with respect to Sicilia Digitale Venture S.c.r.l. -... Omitted ... there is no urgency (periculum in mora) ..."*. In other words, the Judge reported no credit risk, while highlighting the "guarantor" role played by the Sicilian Region in favour of SISEV.

13 Trade receivables (Continued)

To this purpose, it should be noted that, as regards SISE's judgement of opposition to the first order decree, deposited on September 3, 2013, obtained in the amount of around Euro 30,052 thousand, the Judge ordered an Office Technical Expertise aimed at evaluating, inter alia, the actual services rendered by SISEV, which are related to the invoicing subject to the order of payment. On December 17, 2016, the Office Technical Experts, designated for the assessment of the actual performance by Venture of services that are related to the invoicing object of the payment order, transmitted to the parties a first draft of the expertise where a total amount receivable of Euro 28,067,526.11 was assessed in favour of Venture. Therefore, almost the entire amount claimed in Court was assessed by experts (taking account that in the arrears some payments were received by Venture and today the receivables in question were equal to Euro 28,346,051.66).

On that date, the experts committee was established. At the time of the final assessment, the experts acknowledged that the amount of the services rendered and described in the deeds was almost the entire amount object of the payment order (less payments received in the meantime). Following a request of integration by the Judge, the experts therefore issued and lodged the supplementary expertise (in which the assets object of the payment claim were divided according to the existence or non-existence of approvals by the Management of SISE and/or the Region). The Court suspended the decision.

Moreover, on February 18, 2016, SISEV sent a writ of summons to obtain the payment of the entire amount of receivables (around Euro 79,675 thousand, including the works recognised in the financial statements to complete the amount already requested with an appeal for an order of payment) as the company deems, as already stated, that these amounts were correctly originated and are correctly payable, also pursuant to provisions contained in the trilateral agreement signed on October 9, 2012 by the Sicilian Region, Sicilia e Servizi S.p.A. and SISEV. Both parties, i.e. the Sicilian Region and Sicilia e Servizi S.p.A., appeared and filed objections including, but not limited to, the fact that the measure dated October 9, 2012 was invalid, the service contracts and related orders were null and void, Venture unfulfilled its know-how transfer obligations. The parties also filed a claim for damages for a total amount of Euro 95,643 thousand. These plaintiff's claims were objected at the first hearing of June 8, 2016. After filing the pre-trial briefs, the Judge reserved on the ruling of all claims submitted, including but not limited to, evidence by SISEV based on documents and expertises.

With respect to the request expressed by the Sicilian Region, SISEV continued and still continues to render the services on a reduced basis and with the exclusive intent to avert the total interruption of the services to citizens, despite the Framework Convention has expired. Within the aforesaid context, no specific critical issues or formal claims related to the correct execution of services and good quality of products delivered by SISEV were highlighted by Sicilia Digitale S.p.A. and/or the Sicilian Region. Moreover, the above-mentioned claims do not seem prima facie suited to stop the aggregate claims of SISEV. To date, it is therefore deemed that the defence of the summoned parties are not such to affect the evaluation on the collectability of receivables in favour of SISEV.

Given the correctness of credit lines and the correct execution of services, despite the favourable opinion of the legal advisers on the entire collectability of the receivables in question, within the above-mentioned context, after acknowledging, among other, the continuous change in institutional interlocutors and the difficulty in achieving an amicable agreement, in view of a legal dispute and of the objections filed in by SISE and the Sicilian Region, in its financial statements SISEV recognised the interest set out by law pertaining to the year (around Euro 3.8 million) in the income statement and under item Financial income, in addition to the amount already recognised until December 31, 2016 (for a total amount of around Euro 30 million) and allocated an amount of around Euro 4.1 million to the doubtful debt provision, in addition to the total amount of around Euro 40.9 million already allocated to the doubtful debt provision in the previous year. The latter included the total impairment of the aforesaid interest set out by law and recognised in the financial statements and, for the remaining portion, the impairment of the nominal value of the receivable, resulting from an estimate made after a careful evaluation of all information currently available.

13 Trade receivables (Continued)

Overdue receivables by sector are shown in the following table:

Description	Days falling due					Total as of 31.12.2016
	30	60	90	120	over 120	
			(in Euros)			
Public Administration	6,113,065	4,486,647	1,481,152	2,828,139	90,655,266	105,564,270
Finance	8,227,210	1,990,486	1,318,567	191,508	3,935,255	15,663,026
Industry & Services	23,383,819	6,603,872	9,439,171	2,354,066	15,676,040	57,456,968
Telco & Utilities	20,991,021	3,893,975	1,357,998	865,197	8,463,319	35,571,511
Total	**58,715,115**	**16,974,980**	**13,596,889**	**6,238,911**	**118,729,880**	**214,255,775**

Description	Days falling due					Total as of 31.12.2017
	30	60	90	120	over 120	
			(in Euros)			
Public Administration	6,713,637	2,538,952	4,702,041	1,623,434	85,741,482	101,319,547
Finance	26,878,082	2,224,209	1,214,768	582,375	3,334,083	34,233,518
Industry & Services	22,557,454	5,509,868	2,507,045	2,080,537	28,538,496	61,193,400
Telco & Utilities	12,954,248	4,871,851	1,082,130	1,456,995	8,236,286	28,601,511
Total	**69,103,422**	**15,144,881**	**9,505,985**	**5,743,341**	**125,850,347**	**225,347,976**

Receivables due for overdue invoices show an aggregate increase of around Euro 11 million, compared to the previous year.

If receivables are analysed by segment, it can be noted that Public Administration showed a clear worsening, and overdue amounts increased by around Euro 19 million.

As regards Telco & Utilities, a slight improvement was reported, and overdue amounts decreased by around Euro 7 million.

On the basis of the information provided to Directors, there is no evidence at present of any risks of non-payment apart from that included in the bad debt provision, which is allocated following an analytical assessment of each customer.

a) Due from associates

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Receivables on invoices issued	73,376		73,376
Total	**73,376**	**—**	**73,376**

b) Others

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Prepayments	2,739,638	2,727,060	12,578
Others	15,667,572	7,037,902	8,629,671
Total	**18,407,210**	**9,764,962**	**8,642,248**

Other receivables principally relate to prepayments for rentals, insurance policies, software package maintenance costs, usage licenses and others.

14 Other current assets

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Other current assets	72,606,806	58,981,352	13,625,454

The other current assets are broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Current financial assets	25,957,180	20,054,623	5,902,558
Others	46,649,625	38,926,729	7,722,896
Total	**72,606,806**	**58,981,352**	**13,625,454**

a) Current financial assets

Current financial assets are broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Tax receivables	22,573,499	17,073,390	5,500,109
Social security institutions	3,202,089	2,593,647	608,442
Other	181,593	387,585	(205,992)
Total	**25,957,180**	**20,054,623**	**5,902,558**

The tax receivables substantially relate to:

- for around Euro 13.3 million to IRES and IRAP receivables. The amount is the difference between advanced payments and withholdings applied, and tax provisions calculated as of December 31, 2017;
- for around Euro 1.6 million relating to receivables for taxes paid abroad;
- for around Euro 6.1 million relating to receivables from the Inland Revenue Office for recoverable VAT.

Receivables from social security institutions related to the payment of the INAIL advance payment for 2017 and INPS receivables to be recovered over subsequent years.

In December 2017, receivables from the Inland Revenue Office were factored and collected in relation to the reimbursement claim, filed in 2012, for the higher IRES tax paid on personnel costs, not deducted for the years 2007-2011 for the IRAP tax purposes. Risks and benefits related to receivables were transferred to the transferee. Receivables were therefore eliminated from the assets in the statement of financial position against the consideration received from the factoring company. The amount of the receivables collected amounted to Euro 8.2 million.

b) Others

The “Others” item includes:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Applied research grants	40,331,997	37,174,874	3,157,123
Prepaid expenses	718,261	270,268	447,993
Others	5,599,368	1,481,587	4,117,780
Total	**46,649,625**	**38,926,729**	**7,722,896**

Receivables for applied research grants are receivables yet to be collected, relating to projects financed by national public authorities and by the European Union, and that show no risks of non-payment.

15 Cash and cash equivalents

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Cash and cash equivalents	207,017,853	312,232,343	(105,214,489)

The balance includes cash and cash equivalents and bank current accounts. Bank and postal deposits are remunerated at interest rates in line with the market.

Cash and cash equivalents consist of the following:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Bank and postal deposits	206,968,722	312,189,778	(105,221,055)
Cash and cash equivalents	49,131	42,565	6,566
Total	**207,017,853**	**312,232,343**	**(105,214,489)**

Bank and postal deposits include

- Euro 10.2 million of current accounts related to payments made in advance by the European Community and exclusively intended for research activities;
- Euro 1.1 million of postal current accounts related to collections to be repaid to Municipalities, following the collections of taxes on their behalf;
- Euro 0.7 million, related to an escrow account created after the acquisition of the company Dynpro Systemas S.A. and the company Logann Ltda by Engineering do Brasil S.A

Changes in item "Cash and cash equivalents" must be read together with changes in other financial assets and liabilities.

For further information reference should be made to paragraph VII of the present document.

D) Shareholders' equity

16 Information on shareholders' equity

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Shareholders' equity	587,705,929	530,993,114	56,712,815

16 Information on shareholders' equity (Continued)

The changes are shown in the table below:

Shareholders' equity	Value as of 31.12.2016	Increase	Decrease	Value as of 31.12.2017
		(in Euros)		
Total share capital	**989,947**	**30,885,053**	**0**	**31,875,000**
Legal reserve	0	6,375,000	0	6,375,000
Share premium reserve	527,909,574	0	(527,909,574)	0
Merger reserve	0	503,705,347	(0)	503,705,347
Translation reserve	0	0	(2,370,708)	(2,370,708)
Other reserves	0	9,457,534	(5,993,091)	3,464,443
Total reserves	**527,909,574**	**607,516,709**	**(624,252,201)**	**511,174,082**
Prior years undistributed profits	0	904,725	(0)	904,725
First-time application of IAS/IFRS	0	0	(571,860)	(571,860)
IAS 19 actuarial gains/(losses)	0	31,491	(10,360,738)	(10,329,247)
Retained earnings /(losses carried forward)	**0**	**936,216**	**(10,932,598)**	**(9,996,382)**
Profit/(oss) for the year	**904,725**	**50,240,665**	**(904,725)**	**50,240,665**
Total Group shareholders' equity	**529,804,246**	**689,578,643**	**(636,089,524)**	**583,293,365**
Capital and reserves of minority interests	**1,040,733**	**1,348,231**	**0**	**2,388,964**
Profit/(oss) for the year of minority interests	**148,135**	**1,875,464**	**0**	**2,023,600**
Total shareholders' equity	**530,993,114**	**692,802,338**	**(636,089,524)**	**587,705,929**

17 Share capital

The subscribed and fully paid-in share capital is Euro 31,875,000, divided into 12,500,000 shares each without par value. Sole Shareholder Mic Newco S.p.A

18 Reserves

In relation to the possible utilisation and distribution of reserves, the following should be noted:

- Legal reserve:
  of Euro 6,375,000 is available for the covering of losses but is not distributable.
- Share premium reserve:
  was reduced to zero due to the re-establishment of other reserves after the aforesaid reverse Merger, of which reference is made to par. 1.1.
- Merger reserve:
  this reserve, amounting to Euro 503,705,347, was established after the above-mentioned reverse Merger and it is fully available and distributable.
- Translation reserve:
  at the reporting date, it amounted to Euro (2,370,708) and is neither available nor distributable.
- Other reserves:
- Special applied research reserve, of Euro 81,721, is available and distributable.
- Special Egov research reserve, of Euro 72,000, is neither available nor distributable.
- Special Erp Light research reserve, of Euro 168,000, is neither available nor distributable.
- Special research reserve applied to the PIA Project, of Euro 1,080,000, is neither available nor distributable.

18 Reserves (Continued)

- Stock Option Reserve: this reserve, amounting to Euro 9,425,814, is for the assignment of Stock Options, as per the share incentive plan and the extraordinary plan addressed to employees and approved by the Board of Directors on June 28, 2017. For further details, reference is made to the following paragraph 35.
- Forward contract reserve, amounting to Euro (4,320,000) on Non-Controlling Interests, with a contra entry described in the previous paragraph 20.

19 Retained earnings

Retained earnings are equal to Euro (9,996,382).

- Prior years' undistributed profits:

  at the reporting date, they amounted to Euro 904,725 and are neither available nor distributable.
- First-time application of IAS/IFRS reserve:

  at the reporting date, it amounted to Euro (571,860) and is neither available nor distributable.
- Actuarial gains/(losses) reserve—IAS 19

  at the reporting date, it amounted to Euro (10,329,247) and is neither available nor distributable.

E) Non-current liabilities

20 Non-current financial liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Non-current financial liabilities	232,425,051	88,056,345	144,368,706

Non-current financial liabilities relate to "Payables to lenders" and "Other non-current financial liabilities", broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Payables to lenders	224,003,101	85,597,774	138,405,327
Other non-current financial liabilities	8,421,950	2,458,570	5,963,380
Total	**232,425,051**	**88,056,345**	**144,368,706**

20 Non-current financial liabilities (Continued)

The long-term debt as of December 31, 2017 is shown in the table below, including the portion due within 12 months, with indication of the lender and the interest rate.

Lender	Year of maturity	Interest rate	Within 1 year	Over 1 year	of which over 5 years
			(in Euros)		
Svil. Econ. Pia E-Gov	2018		194,971		
Svil. Econ. Pia Odcdn	2018		175,156		
Svil. Econ. Pia Sinim	2018		201,975		
Svil. Econ. Pia A16/1643/P	2018		56,288		
Bei/Serapis N. 82199	2018	Euribeur 363m+1,99100	1,875,000		
Credito Emiliano S.p.A.	2018	0.35%	833,576		
Miur Prog. 28953 Foodsys	2019		144,905	145,631	
Miur Prog. 28953 Foodsys	2019		39,063	41,041	
Credit Agricole Friuladria	2019	1.15%	169,619	84,534	
Banca di Udine Credito Coperativo	2019	0.50%	667,222	55,752	
Intesa San Paolo S.p.A.	2018	2.27	50,000		
Volksbank	2020	0.30		1,500,000	
Volkswagen bank GmbH	2021	2.57	6,363	20,461	
Intesa Sanpaolo Fin.83817	2020	Euribeur 363m+0,85000	16,625,000	24,937,500	
Bei/Serapis N. 84744	2018		4,545,455		
Bei/Serapis N. 84744	2022		4,545,455	31,818,182	
Banca IMI—Pool banche	2021		18,850,000	104,000,000	
Banca Popolare Milano	2023			61,400,000	13,644,444
Total			**48,980,048**	**224,003,101**	**13,644,444**

The Group's main long-term financial payables include Parent Company commitments for mortgages with maturity over 12 months mainly attributable to the parent company and equal to Euro 222,342,353.

The portion due within 12 months was reclassified under current financial liabilities.

Some information and characteristics of the main loans are shown hereunder:

- to support research and development activities the European Investment Bank (EIB) granted two direct credit lines of Euro 15 and 50 million, disbursed on January 30, 2013 and January 8, 2016, respectively. The first loan will be redeemed on January 30, 2018;
    - the loan granted by Banca Intesa Sanpaolo S.p.A. was supplied in two instalments, of which the first of Euro 31.5 million on December 30, 2015 and the second of 38.5 million on June 30, 2016;
    - following the reverse Merger of Mic Bidco S.p.A. into Engineering Ingegneria Informatica S.p.A., occurred on May 26, 2017, a loan of Euro 130 million was supplied in favour of Engineering Ingegneria Informatica S.p.A. by a pool of banks through Banca IMI. This loan was used to redeem another loan of Euro 290 million, granted to Mic Bidco S.p.A. by the same pool of banks, always through Banca IMI S.p.A.;
    - on December 27, 2017, a 6-year loan was also granted by Banco BPM, for the amount of Euro 61.4 million, in relation to the acquisition of Infogroup S.p.A

Covenants

The covenants of previous loans, all at variable rate, envisage the fulfilment of the following financial parameters:

- as regards the loans granted by the European Investment Bank (EIB):
    - net financial debt/reported EBITDA not higher than 2.3 (two point three);

20 Non-current financial liabilities (Continued)

- as regards the loan granted by Banca Intesa Sanpaolo S.p.A.:
  - net financial position/reported EBITDA lower than 2.2 (two point two);

    (The Bank undertook to revaluate and allow for the amendment of the parameter until a maximum of 3.5x should conditions change);
  - Standardised EBITDA/net financial charges higher than 5.0 (five).
- as regards the loan granted by Banca IMI S.p.A./Pool of Banks:
  - net debt/reported EBITDA not exceeding 3.0 (three).
- as regards the loan granted by Banco BPM:
  - the same parameters of the loan granted by Banca IMI S.p.A./pool of banks.

The financial parameters are revised twice a year with reference to the consolidated financial statements and the consolidated half-year report.

Failure to observe the financial parameters may give the banks the right of withdrawal, as per article 1845 of the Italian Civil Code, and to exercise the right to recover all amounts covered by the agreement, unless they are recovered:

- within 30 (thirty) subsequent business days for the EIB loans;
- within 20 (twenty) business days for the IMI/pool of banks loan, in the event the value be higher than 3.5, while no action shall be taken if it remains within 3.0 and 3.5 and the value is fulfilled again in the following half year; and
- within 60 (sixty) subsequent business days for the loan granted by Banca Intesa Sanpaolo and both values are not fulfilled.

All covenants stipulated in the agreements were fulfilled as of December 31, 2017.

As regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 61.4 million with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation.

All the other loans indicated above are at a subsidised fixed rate and are always linked to the development of research projects.

The "Other non-current financial liabilities" item is as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Derivative	175,695	296,507	(120,812)
Security deposits	797,498	1,995,349	(1,197,850)
Payables for finance leases/Payables to Shareholders	9,519,611	274,401	9,245,210
Value of financial debt at amortised cost	(2,070,855)	(107,686)	(1,963,169)
Total	**8,421,950**	**2,458,570**	**5,963,380**

The item "Other current liabilities" mainly includes:

- fair value of the derivative entered on July 1, 2014 with Unicredit S.p.A. (Interest Rate Swap), recognised under item "Financial charges" after the redemption of the Unicredit S.p.A.'s loan related to the hedging. In particular, the fair value of IRS under evaluation was equal to Euro 0.2 million as of

20 Non-current financial liabilities (Continued)

December 31, 2017 (Euro 0.3 million as of December 31, 2016) and fair value changes, compared to the previous year, were recognised in the income statement by reason of the redemption of the loan related to IRS and to the related hedging.

Description of IRS	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Unicredit loan—redeemed	30.06.2014	31.03.2020	35,000	0.56	(176)	(297)

Moreover, as described in the paragraph Non-current financial liabilities, as regards the loan granted by Banca IMI S.p.A./pool of banks on July 23, 2017, a contract was signed to hedge interest rate oscillation, as provided by the Contract and by the Hedging Strategy Letter. The hedging, a Cap Rate at 0.15%, with maturity term on October 21, 2019, will not be activated as long as the 6-month Euribor, 360 day basis remains negative. This Interest Rate Cap (IRC) contract, the fair value of which is substantially equal to zero, as of December 31, 2017, was designated under hedge accounting, subscribed for a notional principal of Euro 61.4 million with the aim, as aforesaid, of hedging the above-mentioned medium-long term loan from interest rate oscillation. The calculation of the effectiveness test on current derivatives designated as hedge accounting, was carried out based on the sector best practice, in compliance with requirements of IFRS 13.

Description of IRC	Opening of contract	Expiry date of contract	Principal (in thousands of Euro)	Fixed rate	Fair value 31.12.2017 (in thousands of Euro)	Fair value 31.12.2016 (in thousands of Euro)
Hedging of Banca IMI S.p.A./ Pool of Banks loan	23.10.2017	23.10.2019	61,425	0.15	0	n.a.

- The security deposits relate to an escrow account of the subsidiary Engineering do Brasil S.A.;
- the portion of finance leases related to real estates in Turin by the Parent Company (Euro 6.9 million) and the subsidiary MHT S.r.l. (Euro 0.3 million);
- payables for earn out, with respect to minority shareholders of the companies Sogeit Solutions S.r.l. and Sofiter Tech S.r.l., are equal to Euro 2.2 million. In particular, as thoroughly described in paragraph 1.2, both business combinations, acquired during the year, envisage an adjustment of the combination cost, conditioned by future events such as the maintenance of a specific level of profit measured with respect to EBITDA for the years 2017 and 2018.

  The total amount, recognised over the year for these earn outs, equal to Euro 3.3 million (of which Euro 2.2 million non-current), reflects the best estimate of amounts to be paid upon maturity based on contracts entered with the counterparties;
- the difference between the par value of financial payables recorded and the value of payables measured at amortised cost.

The following table shows the details of payables for finance leases:

Payables for finance leasing	Fees	Capital amount
	(in Euros)	
Within 1 year	1,493,309	1,204,984
Over 1 year	7,638,254	6,920,996
Over 5 years	0	0
Total leasing fees	**9,131,564**	
Interests	(1,005,584)	
Total current value of leasing fees	**8,125,980**	**8,125,980**

20 Non-current financial liabilities (Continued)

We report below the breakdown of the Group net financial position:

Description	31.12.2017	31.12.2016
	(in Euros)	
Cash	49,131	42,565
Other liquid assets	206,968,722	312,189,778
A) Cash and cash equivalents	**207,017,853**	**312,232,343**
B) Current financial receivables	**2,700,000**	**0**
Current bank payables	(5,231,331)	(4,321,051)
Current borrowing	(94,720,362)	(318,421,623)
Other current financial payable	(15,403,365)	(10,183,341)
C) Current borrowing	**(115,355,058)**	**(332,926,016)**
D) Net current financial position (A + B + C)	**94,362,796**	**(20,693,673)**
Non-current borrowing	(224,003,101)	(85,597,774)
Other non-current payables	(8,421,950)	(2,458,570)
E) Non-current borrowing	**(232,425,051)**	**(88,056,345)**
F) Net financial position (D+E)	**(138,062,255)**	**(108,750,017)**

21 Deferred tax liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Deferred tax liabilities	149,213,821	150,060,715	(846,894)

Deferred tax liabilities, calculated at the current rates (27.5% or 24% for taxes that will be reversed as from 2017 for IRES, and based on regional rates for IRAP), have been calculated on the following items.

Description	31.12.2017		31.12.2016	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
		(in Euros)		
Goodwill	15,000,862	4,277,860	14,393,018	4,124,183
Trademark	453,029,362	126,395,192	453,029,362	126,395,192
Research grants	1,621,769	409,202	2,850,221	705,593
Research grants taxed in 5 years	66,832,326	16,039,757	62,571,700	15,017,208
Doubtful debt provision	18,036	4,960	20,666	4,960
IFRS adjustments	2,264,050	631,856	2,378,230	663,526
IFRS—IAS 8 adjustments	1,031	328	1,031	328
Allocation of goodwill	5,103,138	1,423,776		
Other	128,712	30,891	11,289,342	3,149,726
Total	**543,999,286**	**149,213,821**	**546,533,570**	**150,060,715**

21 Deferred tax liabilities (Continued)

Movements in deferred tax liabilities are illustrated below:

Description	*(in Euros)*
31.12.2016	**150,060,715**
Change in consolidation scope	241,791
Increase	8,058,340
Decrease	(9,147,025)
31.12.2017	**149,213,821**

22 Non-current provisions for risks and charges

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Non-current provisions for risks and charges	3,894,900	408,104	3,486,796

Changes are detailed below:

Description	*(in Euros)*
31.12.2016	**408,104**
Exchange difference effect	(416,806)
Increase	3,903,602
31.12.2017	**3,894,900**

The increase of Euro 3.9 million is due to the allocation of the provision for risks on projects of the Brazilian subsidiary.

23 Other non-current liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Other non-current liabilities	13,068,793	3,800,773	9,268,020

Other non-current liabilities include:

- payables for a non-competition agreement signed with the top management (around Euro 8.0 million);
- the residual portion refers to the measurement of payables – based on provisions set out by IAS 32— for sales options granted to minority interests (put options contract) to which the Company Engineering Ingegneria Informatica S.p.A. is subject, with reference to a non controlling interest. In particular, the minority shareholders of a subsidiary acquire the right to exercise a sales option of their shares to Engineering Ingegneria Informatica S.p.A. in special cases, as defined in the agreement signed by the parties. The price to exercise the option is fixed based on economic parameters and adequately valued multipliers. The fair value of liabilities, which represents a reasonable estimate of the exercise price for the option, was determined based on contract terms set out in the related contract, by using the parameters that are inferable from the 2019-2021 plan of the subsidiary involved.

The liabilities related to the aforesaid payables, measured at fair value are classified as Level 3 (i.e. financial liabilities the fair value of which is determined not according to observable market data).

24 Post-employment benefits

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Post-employment benefits	67,709,887	64,649,744	3,060,143

Due to the introduction of Law no. 296 of December 27, 2006 and subsequent decrees and regulations issued at the beginning of 2007, Post-employment benefits from January 1, 2007 changed from a "defined benefit plan" to a "defined contribution plan" as a consequence of the application of differing accounting treatment of post-employment benefits accrued before or after December 31, 2006.

Post-employment benefits, accrued after January 1, 2007, represent a "defined contribution plan". Periodically the Company pays post-employment benefits accrued to a separate entity (e.g. INPS and/or a Fund) with the payment fulfilling obligations toward employees. For accounting purposes, it is included under other contributions, as Post-employment benefit matured is recorded as a cost in the period with the payable recognised under short-term payables.

Post-employment benefits accrued up to December 31, 2006 continue to represent a "defined benefit plan" which is more certain in terms of their existence and sum, but uncertain in terms of manifestation.

The total amount of the benefit obligation is calculated and certified on an annual basis by an independent actuary by using the "Projected Unit Credit" method.

A summary of the actuarial assumptions adopted in measuring Post-employment benefits is provided below.

Financial assumptions:

- future annual rates of inflation were set according to the average rates of inflation in Italy in recent years, based on ISTAT data;
- annual revaluation of existing provisions and subsequent payments fixed, as established by regulations at 75% of the inflation rate plus 1.50% net of taxes;
- the annual discount rate was established as variable from 0.3122% to 1.7179 % and was deducted adopting a rate curve combining the effective yield rates movements of the Euro Bonds of primary companies with AA rating or higher.

Demographic assumptions:

- to evaluate length of employment with the Company, the "Tavola di permanenza nella posizione di attivo" RG48 (a table for company service length prepared by the Italian Treasury Department based on data for those born in 1948) was used, selected, projected and separated by gender, supplemented with the probability of additional reasons for departure (resignations, advances which are a financial-based cause for leaving, measurable in terms of probability).

The following tables show the absolute and relative changes in liabilities measured according to IAS 19 (DBO), while assuming a 10% negative or positive change in the revaluation and/or discounting rates.

Engineering Group		Discounting				
		-10%		100%		10%
				(in Euros)		
	-10%	**62,548,393**	603,293	**61,945,100**	-591,168	**61,353,932**
Infl.		**-470,189**	140,726	**-462,536**	-1,053,735	**-455,136**
	100%	**63,018,582**	610,946	**62,407,636**	-598,568	**61,809,068**
		475,097	1,086,012	**467,393**	-138,774	**459,825**
	+10%	**63,493,679**	618,650	**62,875,029**	-606,136	**62,268,893**

The figures shown in the table do not include the liabilities measured pursuant to IAS 19 of the consolidated company Infogroup S.p.A

Actuarial gains and losses are recognised under shareholders' equity on an accrual basis, while interest cost was recognised in the income statement under financial charges.

24 Post-employment benefits (Continued)

Changes are detailed below:

Description	(in Euros)
Balance as of 31.12.2016	**64,649,746**
Provisions	23,303,560
Change in opening balance for Merger	83,800
Amounts paid to social security institutions + INPS	(21,553,669)
Actuarial gains/(losses)	1,503,111
Benefits paid	(5,977,916)
Indemnities on acquisition of Group business units/subsidiaries	2,127,085
Transfer payables of Group business units/subsidiaries	(1,779,392)
Post-employment benefits, consolidated companies	5,353,564
Balance as of 31.12.2017	**67,709,887**

The "Provisions" item comprises the interest cost for an amount equal to Euro 175,646.

F) Current liabilities

25 Current financial liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Current financial liabilities	115,355,058	332,926,016	(217,570,958)

Current financial liabilities relate to payables to lenders, banks and other current financial liabilities as reported below:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Payables to lenders	94,720,362	318,421,623	(223,701,261)
Bank payables	5,231,331	4,321,051	910,280
Other current financial liabilities	15,403,365	10,183,341	5,220,024
Total	**115,355,058**	**332,926,016**	**(217,570,958)**

Payables to lenders

As of December 31, 2017, short-term loans totalled Euro 94,720,362 and relate to the short-term portion of payables to lenders for which reference is made to paragraph 21 "Non-current financial liabilities".

Bank payables

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Bank overdrafts	5,231,331	4,321,051	910,280
Total	**5,231,331**	**4,321,051**	**910,280**

Other current financial liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Other grants	12,509,210	9,762,405	2,746,805
Payables for leasing	1,232,508	25,920	1,206,588
Equity investments to be paid	1,661,648	395,017	1,266,631
Total	**15,403,365**	**10,183,341**	**5,220,024**

25 Current financial liabilities (Continued)

"Other grants" refer to amounts received for research projects to be reversed to other partner subjects. "Payables for leasing" relate to the short-term portion of financial leases described in paragraph 20 "Non-current financial liabilities". "Equity investments to be paid" related primarily to the Earn Out of Sogeit Solutions S.r.l. (Euro 1.2 million).

26 Current tax payables

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Current tax payables	4,250,916	3,853,977	396,939

The balance as of December 31, 2017 primarily includes current tax payables.

The breakdown is as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
IRES	3,401,278	3,759,832	(358,555)
IRAP	839,192	94,145	745,047
Substitute tax	10,447		10,447
Total	**4,250,916**	**3,853,977**	**396,939**

27 Current provisions for risks and charges

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Current provisions for risks and charges	20,270,005	35,096,799	(14,826,794)

Current provisions for risks and charges are broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Provision for risks and charges	10,581,400	29,949,366	(19,367,966)
Provision for losses on projects	9,688,605	5,147,433	4,541,172
Total	**20,270,005**	**35,096,799**	**(14,826,794)**

The decrease of the provisions for risks and charges was due mainly to the following:

- decrease of around Euro 10.0 million, related to the disbursement, as of June 30, 2017, for the leave of managers and employees who adhered to the reorganisation and restructuring plan (early leave as per 2017 Stability Law);
- decrease of around Euro 2.8 million, following the utilisation of the special provision for restructuring, established in the previous years;
- decrease of around Euro 2.7 million, related to the closure of the provision due to ceased risk;
- decrease of around Euro 0.4 million for the utilisation of the special provision for disputes, established in previous years.

The provision for risks and losses on projects was adjusted to account for probable future charges that will be incurred on projects in which difficulties have arisen and was used for the portion of risks settled in the first part of the half-year and for which no future risks are expected. The amount is the best estimate made based on the current information available to us.

27 Current provisions for risks and charges (Continued)

The changes in the current provisions for risks and charges during the years in question are as follows:

Description	(in Euros)
31.12.2016	**35,096,799**
Increase	5,737,183
Decrease	(25,575,455)
Change in consolidation scope	5,011,479
31.12.2017	**20,270,005**

The increase is due to the adjustment of the provision to cover probable future charges, which will have to be borne, and especially refers to projects where some critical issues emerged. The allocated amount is the best estimate made based on the current information available to the Company.

28 Other current liabilities

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Other current liabilities	153,298,644	148,697,970	4,600,674

This item is broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Directors and Statutory Auditors	1,614,518	1,681,747	(67,229)
Consultants	100,403	87,646	12,758
Acquisition of business unit	748,512	149,115	599,397
Withholding taxes	1,339,719	1,262,658	77,061
Tax payables	26,396,043	32,640,100	(6,244,057)
Due to RTI partners	3,285,973	2,633,659	652,315
Social security institutions	21,021,279	18,024,204	2,997,075
Others	7,652,005	7,155,854	496,150
Employees	81,466,254	77,474,496	3,991,758
Partners for research projects	8,895,539	6,796,679	2,098,861
Accrued m/l loan interest	592,573	87,509	505,064
Other accruals	36,911	33,066	3,845
Deferred income	148,913	671,238	(522,325)
Total	**153,298,644**	**148,697,970**	**4,600,674**

Tax payables are broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
VAT	9,967,726	18,050,237	(8,082,511)
Suspended VAT	1,586,584	1,737,168	(150,584)
IRPEF	14,167,070	12,168,483	1,998,587
Other	674,663	684,212	(9,549)
Total	**26,396,043**	**32,640,100**	**(6,244,057)**

29 Trade payables

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Trade payables	318,140,848	284,545,467	33,595,381

Trade payables refer to current payables to suppliers for goods and services.

The balance as of December 31, 2017 is broken down as follows:

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Suppliers	271,651,212	241,203,471	30,447,740
Others	46,489,636	43,341,996	3,147,640
Total	**318,140,848**	**284,545,467**	**33,595,381**

a) Suppliers

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Due to suppliers	187,785,773	171,126,669	16,659,104
Due to foreign suppliers	17,139,486	13,286,873	3,852,613
Invoices to be received	67,705,246	57,282,926	10,422,319
Credit notes to be received	(979,293)	(492,997)	(486,296)
Total	**271,651,212**	**241,203,471**	**30,447,740**

b) Others

Description	31.12.2017	31.12.2016	Change
		(in Euros)	
Advances for future work	46,489,636	43,341,996	3,147,640
Total	**46,489,636**	**43,341,996**	**3,147,640**

The amounts due to others relate to net advances made by customers that exceed the value of inventories.

Income statement

As already thoroughly described in paragraph "Form, contents and accounting standards" herein, the comparative income statement tables reflect the accounting results as from the acquisition date of Mic Bidco S.p.A.'s control of Engineering Ingegneria Informatica S.p.A. and therefore they substantially related to amounts as from end June 2016. In order to allow for a more immediate and exhaustive reading of performance results, the Directors' report included the comparative income statement tables that had been restated to reflect the values of the entire 2016 for the Engineering Ingegneria Informatica S.p.A. Group.

A) Total revenues

Description	31.12.2017	31.12.2016
	(in Euros)	
Total revenues	1,028,797,459	495,570,381

30 Total revenues

Group revenues show a change of Euro 94,190,425. These relate to revenues from sales and services of products produced, in particular, consultancy services, IT design, usage licences, software maintenance services, and outsourcing services.

30 Total revenues (Continued)

Description	31.12.2017	31.12.2016
	(in Euros)	
Revenues from sales and service	994,136,621	493,151,915
Cgs. finished products and construction contracts	6,039,028	(9,508,596)
Other revenues	28,621,810	11,927,061
Total	**1,028,797,459**	**495,570,381**

For further analysis and comments reference should be made to item VI herein.

31 Other revenues

Description	31.12.2017	31.12.2016
	(in Euros)	
Other revenues	28,621,810	11,927,061

The breakdown of other revenues is as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Grants	18,083,317	7,769,741
Other income	10,538,493	4,157,320
Total	**28,621,810**	**11,927,061**

Other revenues refer mainly to grants for research projects financed by national bodies and by the European Community. The “Other income” item mainly comprises re-invoicing of fringe benefits to employees for company cars and the cancellation of losses borne in the year in which the related risk was allocated.

B) Operating expenses

Description	31.12.2017	31.12.2016
	(in Euros)	
Operating expenses	964,019,691	482,410,415

32 Operating expenses

The breakdown of operating expenses is as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Raw materials and consumables	16,322,136	7,959,280
Services	367,419,368	184,133,043
Personnel costs	518,886,310	237,315,946
Amortisation and depreciation	29,690,148	19,206,704
Provisions	19,050,537	28,051,291
Other costs	12,651,191	5,744,152
Total	**964,019,691**	**482,410,415**

For further details on changes, reference is made to the relevant paragraphs in the Directors’ report.

33 Raw materials and consumables

Description	31.12.2017	31.12.2016
	(in Euros)	
Raw materials and consumables	16,322,136	7,959,280

33 Raw materials and consumables (Continued)

Below is a breakdown of costs for raw materials and consumables:

Description	31.12.2017	31.12.2016
	(in Euros)	
Hardware	5,398,858	2,954,984
Software	10,222,047	4,606,212
Consumables	700,415	344,507
Other	817	53,576
Total	**16,322,136**	**7,959,280**

34 Service costs

Description	31.12.2017	31.12.2016
	(in Euros)	
Services	367,419,368	184,133,043

Service costs comprise the following accounts:

Description	31.12.2017	31.12.2016
	(in Euros)	
EDP purchases, services and data lines	3,853,229	1,953,663
Insurance	4,104,798	2,115,068
Bank charges and commissions	2,115,462	1,132,044
Technical support and consultancy	249,383,644	121,652,292
Legal and administrative consultancy	4,016,852	2,695,512
Training and refresher courses	3,127,824	1,873,745
Consultants	399,101	214,599
Cost of corporate boards	3,250,664	1,364,459
Building rental	13,929,766	7,323,800
Maintenance of tangible and intangible assets	17,640,718	9,676,205
Canteen and other personnel expenses	8,382,802	3,799,915
Automotive expenses	12,244,366	6,012,909
Hardware and software rental	3,763,748	2,219,931
Maintenance and security services	4,510,264	2,664,997
Advertising and sales rep. expenses	1,904,537	646,372
Travel costs	20,563,385	8,679,484
Postage and shipping expenses	3,641,181	1,682,236
Utilities	7,481,263	4,325,125
Other	3,105,764	4,100,687
Total	**367,419,368**	**184,133,043**

The following table shows the remuneration paid in 2017 to the Audit Firm of the consolidated financial statements, in accordance with Article 149-duodecies of the consolidated law on finance.

Remuneration is net of expenses and also includes certification services related to the submission of the Single Form, IRAP tax and 770 models.

Service	Provider	Beneficiary	Fees
			(in Euros)
Audit	Deloitte & Touche S.p.A.	Engineering Ingegneria Informatica S.p.A.	267,000
Audit	Deloitte & Touche S.p.A.	Engineering D.HUB S.p.A.	35,000
Audit	Deloitte & Touche S.p.A.	Municipia S.p.A.	20,000
Audit	Deloitte & Touche S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	15,000
Audit	Deloitte & Touche S.p.A.	MHT S.r.l.	10,000

35 Personnel costs

Description	31.12.2017	31.12.2016
	(in Euros)	
Personnel costs	518,886,310	237,315,946

Personnel costs consist of:

Description	31.12.2017	31.12.2016
	(in Euros)	
Salaries and wages	390,301,887	178,136,452
Social security expenses	91,024,753	43,240,903
Post-employment benefits	23,127,914	10,355,530
Restructuring and reorganising personnel	663,437	4,379,735
Other personnel costs	13,768,319	1,203,326
Total	**518,886,310**	**237,315,946**

For further information on personnel costs, reference is made to item IX hereof.

It should be noted that, the item "Other personnel costs" also include the cost of Euro 9.4 million related to the Stock Options plan.

On June 28, 2017, the Board of Directors approved a stock option plan addressed to employees, consultants, collaborators and Directors of the Company and the Group companies controlled by the same and aimed at being an incentive for Group growth commitments and obtaining loyalty from beneficiaries. This is a stock option plan for the shares of the Company Engineering Ingegneria Informatica S.p.A..

Within this plan, 911,759 options are assigned, for free, to beneficiaries. The options, when exercisable, give the right to subscribe one share each (of special B class), corresponding to 7.5% of the share capital, before a dedicated increase. The options are divided in three pools: the first pool, including 897,718 options, and the second and third pool, of equal number of options, for the residual amount.

The exercise price of each option, being part of the first pool, is equal to Euro 42.15 each, while the exercise price of each option included in the second and third pool will be instead determined by the Board of Directors, on an annual basis, according to the Company's "Market Fair Value" at the date of price determination.

The options become exercisable provided that determined time and performance objectives be achieved (so-called vested options).

These options can be exercised only starting from the notification of the expiry term of the plan and not later than the business day prior to the expiry term of the plan. The exercise of the options is also subordinated to the occurrence of a disinvestment (i.e. the transfer of quotes and shares representing more than 50% of the subscribed and paid capital of Engineering, Newco or Holdco; the transfer of all Group assets; the admission to trade on a regulated market) and will be effective upon completion of the same at the expiry date of the plan.

Shares are available to the beneficiary at the expiry date of the plan.

At the expiry date of the plan, the Board of Directors has the faculty to pay the beneficiary the difference between i) the Market Fair Value of shares assigned to the beneficiary and ii) the exercise price. In that case, the beneficiary will not have the right to claim the issue of shares and options assigned to him will no longer be valid.

Despite the fact that the Board of Directors is vested with the power to choose between the payment in cash and the issue of equity instruments, the Directors deem that, at the balance-sheet date, the Company does not have any current obligations for cash payment. Therefore, the plan was accounted for as share-based payment transaction.

35 Personnel costs (Continued)

After the exercise of share options, shares subscribed by the beneficiary have dividend entitlement the day after the expiry term of the plan.

The Company has the right to ask the beneficiary to repay the minimum amount sufficient to cover tax charges set out by law.

The fair value of rights assigned during 2017 was calculated, upon assignment, by using the binomial model to evaluate US options (so-called Cox, Ross and Rubinstein model). It totalled Euro 9.4 million (the fair value of options granted in the first pool amounted to Euro 12.18 per option).

The fair value of rights assigned during 2017 was calculated on the spot.

In particular, the main input data used to measure the fair value of the Stock Option plan are summarised as follows:

- multiple of EV/EBITDA, determined as mean of a panel of listed comparable values;
- interest rate curve btp 3 years as of December 31, 2017;
- historical volatility AT 260 days, observed as of December 31, 2017;
- dividend yield equal to zero for the stock grant measurement;
- historical series of logarithmic yields for the securities involved;
- liquidity discount equal to 20%;
- strike price equal to Euro 42.15, contractually determined.

The fair value of options granted in the first pool amounted to Euro 12.18 per option. The fair value at the assignment date was determined independently and based on the following parameters for the options granted:

- options are granted free;
- options accrued are exercisable;
- the exercise price is Euro 0;
- the concession time is 4 years;
- the exercise price for each share at the assignment date is Euro 42.15.

	As of December 31, 2017		As of December 31, 2016	
	Average price for the exercise of the option	Number of options	Average price for the exercise of the option	Number of options
As of January 1 2017	—	—	—	—
Granted during the year	42.15	911,759	—	—
Exercised during the year	0	0	—	—
As of December 31, 2017	—	—	—	—
Accrued and exercisable as of December 31, 2017	—	—	—	—

No option is reported as overdue in the period shown in the table.

As of December 31, 2017, a reserve for share-based payments was established for a total amount of Euro 9,426 thousand. Due to this plan, personnel costs therefore increased by the same amount.

35 Personnel costs (Continued)

The average number of employees in 2017 increased on the previous year by 861.

Average number of employees	31.12.2017	31.12.2016	Change
		(units)	
Executives	366	363	3
Managers	1,830	1,727	103
Other employees	7,220	6,466	755
Total	**9,416**	**8,555**	**861**

36 Amortisation and depreciation

Description	31.12.2017	31.12.2016
	(in Euros)	
Amortisation and depreciation	29,690,148	19,206,704

The breakdown is as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Depreciation of property, plant and equip.	7,002,694	3,977,321
Amortisation of intangible assets	22,687,454	15,229,384
Total	**29,690,148**	**19,206,704**

37 Provisions

Description	31.12.2017	31.12.2016
	(in Euros)	
Provisions	19,050,537	28,051,291

The provisions increased due to the changes reported in the following table:

Description	31.12.2017	31.12.2016
	(in Euros)	
Doubtful debt provision	13,132,420	4,389,598
Risk provision	5,907,353	23,661,693
Write-down of fixed assets	10,764	—
Total	**19,050,537**	**28,051,291**

The item "Doubtful debt provision" includes the allocation to the provision for interest in arrears, totalling around Euro 7.7 million, attributable to a receivable from the company Sicilia Digitale S.p.A. and the allocation to the doubtful debt provision of around Euro 2.5 million.

The allocation to the provision for losses on projects was made with respect to probable future charges which will be incurred mainly on projects in which difficulties have arisen.

Amounts recognised in the financial statements are the best estimates and assumptions based on the best information available at the reporting date, as resolved by the Board of Directors in December 2017.

38 Other costs

Description	31.12.2017	31.12.2016
	(in Euros)	
Other costs	12,651,191	5,744,152

38 Other costs (Continued)

Other costs are broken down as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Dues and subscriptions	1,641,467	391,895
Taxes	7,496,425	3,792,918
Gifts and donations	269,636	135,669
Charges for social causes	565,437	150,764
Other	2,678,226	1,272,905
Total	**12,651,191**	**5,744,152**

39 Financial income/(charges)

Description	31.12.2017	31.12.2016
	(in Euros)	
Financial income/(charges)	(5,490,788)	(3,332,536)

Financial income is broken down as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Interest income	7,992,386	1,983,503
Fair value gain (differential from derivative)	607,915	114,455
Other income	1,731,682	5,228,964
Total	**10,331,983**	**7,326,922**

Interest income include interest in arrears (around Euro 7.7 million) related to receivables from the Sicilian Region, reference of which is made to the previous paragraph 14, which were entirely written-down as described in item “Allocations”.

The “Other income” item comprises the exchange gains.

Financial charges consist of:

Description	31.12.2017	31.12.2016
	(in Euros)	
Interest expense	10,323,712	9,427,514
Other	5,499,059	1,231,945
Total	**15,822,772**	**10,659,459**

Interest expense refers principally to loans detailed in note 21 hereof.

The “Other” item comprises the exchange losses.

40 Income/(Charges) from investments

Description	31.12.2017	31.12.2016
	(in Euros)	
Income/(Charges) from investments	(998,988)	(285,674)

The breakdown is as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Gains on equity investments	—	312,877
Write-down of equity investments	(1,027,160)	(598,551)
Other income	28,172	—
Total	**(998,988)**	**(285,674)**

41 Taxes

Description	31.12.2017	31.12.2016
	(in Euros)	
Taxes	6,023,727	8,488,896

The breakdown of taxes is as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Current	14,741,797	15,766,905
Deferred	(8,718,070)	(7,278,009)
Total	**6,023,727**	**8,488,896**

Taxes for the period were estimated taking account of the result in the period and of the existing regulations and represent the best estimate of the tax charge.

Reconciliation between the theoretical and effective tax rate is shown below:

Reconciliation between theoretical and effective IRE tax	31.12.2017	
	Amount	%
	(in Euros)	
Profit before taxes	58,287,992	
Ordinary rate applied	**13,989,118**	**+24.0%**
Tax effects deriving from:		
Income taxable in prior years	3,672,441	+6.3%
Income not taxable	(4,617,086)	-7.9%
Expenses not deductible	10,239,531	+17.6%
IAS differences	(365,096)	-0.6%
Other changes reducing taxable IRES	(10,184,785)	-17.5%
Utilisation of previous years tax losses	(3,515,881)	-6.0%
Effect of foreign tax rates	(43,295)	-0.1%
Total assessable IRES	**38,228,946**	
Tax/Tax rate	**9,174,947**	**+15.7%**

Deferred taxes were calculated taking into consideration the accumulated sum of all temporary differences on the basis of the average expected rate for successive tax periods when these differences will reverse. For details of the temporary differences, which have resulted in deferred taxes, reference is made to the previous paragraphs 10 "Deferred tax assets" and 22 "Deferred tax liabilities".

42 Other significant information

COMMITMENTS UNDERTAKEN

The following table summarises the commitments of the Group as of December 31, 2017.

Description	31.12.2017
	(in Euros)
Third party sureties	188,984,952
Bank sureties in favour of other companies	13,623,645
Bid bonds and performance bonds	31,704,526
Total commitments undertaken	**234,313,123**

Third party sureties

These relate to guarantees provided in respect of participation in tender offers, for the signing of contracts and for guarantees on office rental contracts and refer primarily to the Parent Company for around Euro 168 million.

42 Other significant information (Continued)

Bank sureties in favour of other companies

Bank sureties essentially refer to the Parent Company and concern sureties in favour of other companies.

Bid Bonds and Performance Bonds

These types of commitments relate to guarantees given for participation in tenders, primarily attributable to the company Engineering.mo S.p.A. (around Euro 23 million) and the Parent Company (Euro 8 million).

OPERATING LEASES

The operating leases related to rental contracts for transport vehicles, photocopiers, HW and ordinary office machines are shown below.

Description	31.12.2017	31.12.2016
	(in Euros)	
Liability remaining at 1st January	19,020,050	19,713,902
Amount of contracts agreed in year	15,367,769	15,347,270
Amount of fees paid in year	(10,815,505)	(10,444,402)
Amount of fees paid in advance	(173,894)	(6,053,635)
Amount of fees still due	**23,398,421**	**18,563,135**

At year-end, the amount of rental due was as follows:

Description	31.12.2017	31.12.2016
	(in Euros)	
Within 1 year	10,753,247	9,249,094
Over 1 year	12,645,174	9,306,327
Over 5 years		7,714
Total	**23,398,421**	**18,563,135**

43 Breakdown of financial instruments by category

Pursuant to requirements of IFRS 7, the following table shows information on the categories of Group financial assets and liabilities as of December 31, 2017.

As regards financial instruments recognised at fair value in the statement of financial position, the IFRS 7 standard also requires that these values be classified based on a hierarchy of levels which reflect the relevance of inputs used in determining the fair value.

The following levels are highlighted:

- level 1: if the financial instruments is listed in an active market;
- level 2: if the fair value is determined based on evaluation techniques taking as reference the indicators that can be observed on the market, other than prices of the financial instrument. In particular, fair value of derivatives was determined by using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined based on evaluation techniques taking as reference the indicators that cannot be observed on the market.

43 Breakdown of financial instruments by category (Continued)

Therefore, the following table highlights the measurement hierarchical level of fair value, for financial assets and liabilities measured at fair value as of December 31, 2017.

Book value as of 31.12.2017	Assets at fair value in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
		(in Euros)		
Other non-current assets			5,794,572	
Trade receivables			550,834,537	
Other current assets			72,606,806	
Cash and cash equivalents			207,017,853	
Total assets	**0**	**0**	**836,253,768**	**0**

Book value as of 31.12.2016	Assets at fair value in P&L	Investments held to maturity	Loans and receivables	Financial assets available for sale
		(in Euros)		
Other non-current assets			2,609,605	
Trade receivables			531,434,221	
Other current assets			58,981,352	
Cash and cash equivalents			312,232,343	
Total assets	**0**	**0**	**905,257,521**	**0**

Book value as of 31.12.2017	Liabilities at fair value in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
		(in Euros)	
Non-current financial liabilities		175,695(*)	221,932,246
Other non-current liabilities		4,920,000(**)	18,465,903
Current financial liabilities			102,845,848
Other current liabilities			165,807,854
Trade payables			318,140,848
Total liabilities	**0**	**5,095,695**	**827,192,698**

Book value as of 31.12.2016	Liabilities at fair value in P&L	Liabilities relating to derivative financial instruments	Liabilities recognised at amortised cost
		(in Euros)	
Non-current financial liabilities		296,507(*)	85,490,088
Other non-current liabilities			6,070,522
Current financial liabilities			323,163,611
Other current liabilities			158,460,375
Trade payables			284,545,467
Total liabilities	**0**	**296,507**	**857,730,063**

(*) The fair value reported in the table above is included in Level 2 of the fair value hierarchy.

(**) The fair value reported in the table above is included in Level 3 of the fair value hierarchy.

44 Transactions with Related Parties

Companies which directly or indirectly, through one or more intermediary companies, control, are controlled by the Parent Company and in which the Company holds a shareholding such as to exercise significant

44 Transactions with Related Parties (Continued)

influence, associated companies, as well as senior managers with strategic responsibilities of the Parent Company and the companies directly and/or indirectly controlled by it and in which the Parent Company exercises significant influence are considered related parties.

No transactions of an atypical and/or unusual nature were undertaken with related parties or outside normal business practice or such as to distort the Group financial statements. The transactions with related parties relate to normal operations in the case of each respective entity and are conducted at normal market conditions. No other transactions with related parties other than those indicated below were undertaken.

The other current liabilities include post-employment benefit payables of some senior managers of the Company, under a stability pact signed in 2009.

44 Transactions with Related Parties (Continued)

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A.	Engineering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Engineering do Brasil S.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	WebResults S.r.l.	Engineering Balkan d.o.o.	Engineering Luxembourg S.à.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	DST Consulting GmbH	EMDS GmbH	Engineering Software Labs GmbH	Sogeit Solutions S.r.l.	Infinity Technology Solutions S.p.A.	Total costs
Engineering Ingegneria Informatica S.p.A		632,315	675,727	21,719,282	2,037,208	26,256,876	82,652	3,258,888	25,488,289	13,098	2,074,846	5,962,578	432,205		34,000	213,910	57,562			11,000	25,489	88,975,925
Engineering Sardegna S.r.l.	558,808		4,059						111,154													674,021
Engineering do Brasil S.A.	1,006,014								24,912	4,580												1,035,506
MHT S.r.l.	154,275												252,898									407,173
Engineering ITS AG									188,150								66,914	63,824	122,708			441,597
DST Consulting GmbH															1,788,048			82,021				1,870,069
EMDS GmbH															533,299		665,158					1,198,457
Engineering Software Labs GmbH	133,418														2,684		238					136,340
Eng. Usa	7,483																				40,903	48,386
Bekast IT Consulting GmbH															20,000							20,000
Municipia S.p.A.	5,521,773			630,212	12,000	9,850		4,730	683,133		1,650											6,863,349
Engiweb Security S.r.l.	727,383																					727,383
Nexen S.p.A.	1,092,219																					1,092,219
OverIT S.p.A.	492,115			30,929						58,635							22,344					604,023
Sicilia e-Servizi Venture S.c.r.l.	533,743																					533,743
Engineering International Belgium S.A.	546,683													653,037								1,199,720
Engineering International Inc.	288,969						49,854		184,133													522,956
Engineering D. HUB S.p.A.	10,798,729	94,464	90,470	131,564	4,300	120,863																11,240,389
Engi da Argentina S.A.	908,062					9,661	113,264															1,030,987
WebResults S.r.l.	1,035,907	99,784																				1,135,690
Engineering Balkan d.o.o.	97,576										5,384											102,960
Engineering Luxembourg S.à.r.l.	102,411																					102,411
Engineering Ingegneria Informatica Spain S.L.	262,504																					262,504
Sofiter Tech S.r.l.	397,171																					397,171
Total Revenues	**24,665,243**	**826,563**	**770,256**	**22,511,987**	**2,053,508**	**26,397,250**	**245,770**	**3,263,618**	**26,679,771**	**76,313**	**2,081,880**	**5,962,578**	**685,103**	**653,037**	**2,378,031**	**213,910**	**812,216**	**145,846**	**122,708**	**11,000**	**66,392**	**120,622,980**

44 Transactions with Related Parties (Continued)

The following tables summarise the commercial and financial transactions undertaken at arms' length between the Group companies as of December 31, 2017, eliminated for consolidation purposes:

Description	Engineering Ingegneria Informatica S.p.A	Muni-cipia S.p.A.	Nexen S.p.A.	OverIT S.p.A.	Engineering International Belgium S.A.	Engineering D. HUB S.p.A.	MHT S.r.l.	Engineering ITS AG	Total charges
					(in Euros)				
Engineering Ingegneria Informatica S.p.A.		441,451	33,137			129,475			604,063
Engineering Sardegna S.r.l.	13,200								13,200
Engineering do Brasil S.A.	927,658								927,658
Engineering ITS AG	18,542								18,542
Engineering Software Labs GmbH								1,013	1,013
Bekast IT Consulting GmbH								1,950	1,950
Municipia S.p.A.	583,190								583,190
Engiweb Security S.r.l.	88,073								88,073
OverIT S.p.A.									0
Sicilia e-Servizi Venture S.c.r.l.	254								254
Engineering International Belgium S.A.	21,079								21,079
Engineering International Inc.									0
WebResults S.r.l.	1,699								1,699
Engineering Balkan d.o.o.									0
Engineering Luxembourg S.à.r.l.					1,739				1,739
Engineering Ingegneria Informatica Spain S.L.	2,020								2,020
OverIT International Inc.				17					17
Total income	**1,655,714**	**441,451**	**33,137**	**17**	**1,739**	**129,475**	**0**	**2,963**	**2,264,496**

44 Transactions with Related Parties (Continued)

(in Euros)

Description	Engineering Ingegneria Informatica S.p.A.	Engi-neering Sardegna S.r.l.	Municipia S.p.A.	Engiweb Security S.r.l.	Nexen S.p.A.	OverIT S.p.A.	Sicilia e-Servizi Venture S.c.r.l.	Engi-neering do Brasil S.A.	Eng. International Belgium S.A.	Engi-neering D. HUB S.p.A.	Engi da Argentina S.A.	MHT S.r.l.	Xc Excellence Club S.r.l.	Webresults S.r.l.	Engi-neering Balkan d.o.o.	Engineering Luxembourg S.r.l.	Engineering ITS AG	Engineering Ingegneria Informatica Spain S.L.	DST Consulting GmbH	EMDS GmbH	Engineering Software Labs GmbH	Sogeit Solutions S.r.l.	Infinity Technology Solutions S.p.A.	Infogroup S.p.A	Total liabilities
Engineering Ingegneria Informatica S.p.A.		446,329	1,642,404	26,660,635	5,498,399	20,037,949	33,295	216,369	2,285,847	59,204,494	22,736	2,629,261	0	2,105,841	238,485			81,970	57,562			13,420	31,097	56,489	121,262,579
Engineering Sardegna S.r.l.	3,294,291		4,059							124,071															3,422,421
Engineering do Brasil S.A.	15,362,170					375,230				62,033	4,156														15,803,590
MHT S.r.l.	296,635														96,854										393,489
Engineering ITS AG	2,500,000									128,817										300,000	122,708				3,051,525
DST Consulting GmbH																	469,408								469,408
EMDS GmbH																	376,167		114,877						491,043
Engineering Software Labs GmbH	131,296																153,143			100,000					384,439
Eng. Usa	7,049																						32,350		39,399
Bekast IT Consulting GmbH																	388,800								388,800
Infogroup S.p.A	282,009																								282,009
Municipia S.p.A.	25,616,606			1,409,685	27,163	9,577			4,730	812,269		13,600													27,893,629
Engiweb Security S.r.l.	19,754,662		30,409							89,964															19,875,036
Nexen S.p.A.	1,104,425									1,054															1,105,479
OverIT S.p.A.	852,875			30,929				34,281			245,590														1,163,674
Sicilia e-Servizi Venture S.c.r.l.	68,527,879																								68,527,879
Eng. International Belgium S.A.	2,409,146															123,703									2,532,849
Engineering International Inc.	158,571							46,961		197,697															403,230
Engineering D. HUB S.p.A.	6,681,026	94,464	111,063	440,948	5,246	200,814																			7,533,561
Engi da Argentina S.A.	2,431,964					250,689		83,378																	2,766,031
WebResults S.r.l.	1,006,126	103,831																							1,109,957
Engineering Balkan d.o.o.	99,523											5,104													104,627
Engineering Luxembourg S.à.r.l.	173,799								180,686																354,484
Engineering Ingegneria Informatica Spain S.L.	362,490																								362,490
Sofiter Tech S.r.l.	442,935																								442,935
OverIT International Inc.						62,553																			62,553
Total assets	**151,495,477**	**644,623**	**1,787,935**	**28,542,197**	**5,530,808**	**20,936,812**	**33,295**	**380,988**	**2,471,263**	**60,620,399**	**272,482**	**2,647,965**	**0**	**2,105,841**	**335,339**	**123,703**	**1,387,518**	**81,970**	**172,438**	**400,000**	**122,708**	**13,420**	**63,447**	**56,489**	**280,227,116**

Information on remuneration of members of the Board of Directors and Control Boards

The Members of the Board of Directors and Control Boards are listed in paragraph I. "Corporate Governance and Corporate Bodies" in the Directors' report.

Board of Statutory Auditors' report on the Consolidated Financial Statements drawn up by Engineering Ingegneria Informatica S.p.A. as of December 31, 2017

Pursuant to Art. 2429 of the Italian Civil Code

Dear Shareholders,

the consolidated financial statements as of December 31, 2017, were drawn up by Directors in accordance with the law, and were approved at the meeting of the Board of Directors held on March 28, 2018.

Our audit was performed based on the Rules of Conduct of the Board of Statutory Auditors approved by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). The Group has adopted the IFRS International Accounting Standards since the 2005 financial year.

Pursuant to Article 2409-*septies* of the Italian Civil Code, the Board also states that they exchanged information with the Group's Independent Auditors, Deloitte & Touche S.p.A

The financial statements of each subsidiary are reported as regularly approved by the related Boards and audited within the limits and pursuant to modalities envisaged by the audit plan defined by the Independent Auditors. The plan is deemed adequate and sufficient to express the required professional opinion on the Company's consolidated financial statements.

We audited the Group's consolidated financial statements as of December 31, 2017, and we assessed that the identification of the consolidation scope and the election of both consolidation principles for equity investments, and procedures adopted for this purpose, are compliant with law and the accounting standards applicable in these cases.

The Board of Statutory Auditors acknowledged that, in its report dated April 14, 2018, the Independent Auditors Deloitte & Touche S.p.A. also expressed an opinion without remarks, comments or recalls to disclosures in relation to the consolidated financial statements ended December 31, 2017.

Taking also account of the opinion expressed by the Independent Auditors, we hereby certify that the consolidated financial statements as of December 31, 2017 have been prepared in compliance with provisions set forth by Legislative Decree no. 127/1991, as amended. The criteria adopted by the Board of Directors, duly described in the Explanatory Notes on the consolidated financial statements, as well as in the financial statements valuations and value adjustments, are based on the general and usual criteria adopted on a going concern basis.

The Directors' report, included in the consolidated financial statements, was audited by us to assess its compliance with the expected minimum content, as envisaged in the applicable standards.

Based on the audit performed, the Board deems that the Group Directors' report is fair, exhaustive and consistent with the consolidated financial statements.

The Board of Statutory Auditors also audited the Impairment Tests, drawn up by the board internal to the Group and concerning the consolidated financial statements and the measurement of the Goodwill item entered under assets in the financial statements, and it shared the outcome in numerical terms and considerations.

While considering also the outcome of the audit performed by the Independent Auditors, as shown in the Independent Auditors' Report on the consolidated financial statements issued on April 14, 2018, in which no remarks or recalls to disclosures are reported, the Board of Statutory Auditors deems that no notifications on the consolidated financial statements are worth reporting herein.

For the Auditors

Francesco Tabone

Rocco Corigliano

Massimo Porfiri

Chairman—Board of Statutory Auditors

Francesco Tabone

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Centurion Bidco S.p.A.

€640.0 million Senior Secured Notes
(in a combination of fixed and floating rate notes)

€   % Senior Secured Fixed Rate Notes due 2026

€   Senior Secured Floating Rate Notes due 2026

PRELIMINARY OFFERING MEMORANDUM

Global Coordinators and Joint Bookrunners

BNP PARIBAS **Credit Suisse** **Banca IMI**

Joint Bookrunners

Banca Akros S.p.A.—Gruppo Banco BPM **Deutsche Bank** **Nomura** **UBI Banca** **UniCredit Bank**

The date of this Offering Memorandum is   , 2020.