OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

I.M.A. Industria Macchine Automatiche S.p.A.

€450,000,000 Senior Secured Floating Rate Notes due 2029

I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna No. 00307140376 (the "**Issuer**"), is offering (the "**Offering**") €450,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2029 (the "**Notes**"). The gross proceeds from the offering of the Notes will be used: (i) to (a) repay in full and cancel the Existing Shareholder's Loans (as defined below) and (b) pay a dividend to our direct sole shareholder, Sofima PIK S.p.A. ("**Sofima PIK**"), in order for Sofima PIK to provide funds to its sole direct shareholder So.Fi.M.A. Società Finanziaria Macchine Automatiche S.p.A. ("**SOFIMA**") to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs; (ii) to finance or refinance, as applicable, certain indebtedness and costs incurred in connection with our M&A activity in 2024; and (iii) to pay the fees and expenses relating to the Offering. See "*Use of Proceeds*".

The Issuer will pay interest on the Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 3.75 % per annum, reset quarterly. The Issuer will pay interest on the Notes quarterly in arrears on January 15 , April 15 , July 15, and October 15 of each year, commencing on July 15, 2024. The Notes will mature on April 15, 2029. At any time prior to April 15, 2025, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. At any time on or after April 15, 2025, the Issuer may redeem all or a portion of the Notes, at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes*".

The Notes will be senior secured obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Revolving Facility, the Guarantee Facility and Indebtedness under the Existing Notes (each term as defined herein). On the Issue Date, the Notes will be guaranteed (the "**Guarantee**"), subject to the Agreed Security Principles (as defined herein), by IMA Life North America Inc. (the "**Guarantor**"). Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles, by each Subsidiary of the Issuer that becomes a guarantor under the Revolving Credit Facility and the Existing Notes.

On the Issue Date, the Notes may not be secured by any collateral. On March 20, 2024, Sofima PIK submitted an application with the Italian Golden Power Authority (as defined herein) pursuant to the Italian Golden Power Legislation (as defined herein) with respect to the granting of a first ranking pledge over all shares of the capital stock of the Issuer (the "**Post-Clearance Share Pledge**"). Unless the Italian Golden Power Authority specifically opposes the granting of the Post-Clearance Share Pledge in its response to the application to receive the Italian Golden Power Clearance, as soon as reasonably practicable and, in any case, by the later of (i) the Issue Date and (ii) the 10th Business Day (as defined herein) following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Post-Clearance Share Pledge, subject to the Agreed Security Principles. See "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral—On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced*" and "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— The enforcement and, according to a prudential interpretation, the granting or the extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.*" In addition, subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, to the extent required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any material subsidiary as a guarantor or any subsidiary as a borrower thereto, and to the extent not previously provided, each relevant company shall provide a pledge over the shares it owns in each material subsidiary that has acceded as a guarantor or any other subsidiary that has acceded as a borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement to secure, *inter alia,* the Notes (such pledges, together with the Post-Clearance Share Pledge, the "**Notes Collateral**"). The security interest securing the Notes may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability. Under the terms of the Intercreditor Agreement and subject to applicable laws, the holders of the Notes will receive proceeds from the enforcement of the Notes Collateral only after the lenders under the Revolving Credit Facility, the Guarantee Facility and counterparties to certain hedging obligations (if any), have been repaid in full. The Notes Collateral also secures, or will secure, as applicable, on a first-ranking basis the Existing Notes (as defined herein), the Guarantee Facility, and the Revolving Credit Facility (as defined herein), and may secure certain future hedging obligations (if any). In addition, subject to applicable laws, the Guarantee and the security interests in the Notes Collateral may be released under certain circumstances. Subject to the terms of the Indenture (as defined herein), the Intercreditor Agreement (as defined herein), and to applicable laws, the Notes Collateral may be pledged to secure future indebtedness. The Guarantee and the Notes Collateral will be subject to certain material limitations pursuant to applicable laws. See "*Description of the Notes—Notes Guarantees—Notes Guarantee Release,*" "*Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on Validity and Enforceability of the Notes Guarantee and the Collateral and Certain Insolvency Law Considerations*" and "*The granting of the security interests in the Notes Collateral may create hardening periods for such security interests in accordance with Italian law.*"

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

This Offering Memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. Subject to admission to listing on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF Market thereof on the Issue Date, the Notes are subject to the tax regime provided for by Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239/1996**") (see "*Description of the Notes—Withholding Taxes"*). There is currently no public market for the Notes. Application will be made for the Notes to be listed on the Issue Date on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 26 of this Offering Memorandum.

Price for the Notes: 100.000%

The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and 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 of the Securities Act) in compliance with Rule 144A under the Securities Act ("Rule 144A"). You are hereby notified that the Initial Purchasers (as defined herein) 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. For a description of certain restrictions on the transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*."

The Notes will initially be issued in the form of global notes in registered form. See "*Book-entry, Delivery and Form*". We expect the Notes to be delivered to investors in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") on or about April 18, 2024 (the "Issue Date").

Joint Physical Bookrunners

J.P Morgan **BofA Securities**

Joint Bookrunners

BNP PARIBAS **Crédit Agricole CIB** **Mediobanca**

Morgan Stanley **UniCredit**

The date of this Offering Memorandum is April 11, 2024.

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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 Guarantor 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 Guarantor or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum.

IMPORTANT INFORMATION FOR INVESTORS

THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THE NOTES AND THE GUARANTEE ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "PLAN OF DISTRIBUTION" AND "TRANSFER RESTRICTIONS." INVESTORS IN THE NOTES SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

As used in this Offering Memorandum, unless the context otherwise requires or as otherwise specified herein, references to the "Issuer" are to I.M.A. Industria Macchine Automatiche S.p.A. and references to "we," "us," "our," the "Group" are to the Issuer and its consolidated subsidiaries from time to time.

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

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

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

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

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

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

By accepting delivery of this Offering Memorandum, you agree not to use any information herein for any purpose other than considering an investment in the Notes.

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

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

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

The Notes and the Guarantee have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States. We are not required to register the Notes for resale under the Securities Act, or the securities laws of any other jurisdictions, and we are not required to offer to exchange the Notes for notes registered under the Securities Act or the securities laws of any other jurisdiction.

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

The Notes will only be issued in fully registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented by one or more Global Notes in registered form without interest coupons attached. The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. See "*Book Entry, Delivery and Form.*"

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including "*Description of the Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream Banking currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. We accept no 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.

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

STABILIZATION

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

NOTICE TO U.S. INVESTORS

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

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

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

NOTICE TO CERTAIN OTHER INVESTORS

European Economic Area

Prohibition of Sales to EEA Retail Investors

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

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of each Initial Purchaser that considers itself as a manufacturer pursuant to Directive (EU) 2014/65 (as amended, "MiFID II") (each an "EU Manufacturer" and, together, the "EU Manufacturers"), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the EU Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the EU Manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom–Prohibition of Sales to UK Retail Investors

The Notes described in the Offering Memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA ("**UK MiFIR**"); or (iii) not a qualified investor as defined in Article 2 of the EU Prospectus Regulation as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Italy

The Offering of the Notes has not been registered with or cleared by CONSOB (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or any other offering circular, prospectus, form of application, advertisement or other offering material or document relating to the Notes to be issued, be distributed in the Republic of Italy.

For the purposes of this provision, the expression "offer of Notes to the public" in Italy 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, including the placement through authorized intermediaries.

The Notes will not be offered, sold or delivered, directly or indirectly, or copies of this Offering Memorandum or of any other document relating to the Notes distributed in the Republic of Italy, either on the primary or on the secondary market, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2(e) of the Prospectus Regulation, and any application provision of Legislative Decree No. 58 of February 24, 1998, as amended and implemented (the "**Consolidated Financial Act**"), and Italian CONSOB regulations; or

(ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, the Consolidated Financial Act and the implementing CONSOB regulations, including the CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer's Regulation**") and any other applicable Italian laws and regulations.

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

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Consolidated Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**CONSOB Regulation on Intermediaries**"), Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**"), the Issuer Regulation and any other applicable laws or regulations;

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Consolidated Banking Act and the implementing guidelines of the Bank of Italy, issued on August 25, 2015, as amended) or any other relevant Italian competent authority; and

(c) in compliance with any other applicable laws and regulations imposed by CONSOB, the Bank of Italy or any other Italian competent authority.

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

For selling restrictions in respect of Italy, see also "European Economic Area – Prohibition of Sales to EEA Retail Investors" above.

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

ITALIAN "WHITE LIST STATES"

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

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

Curaçao	Latvia	San Marino	Zambia
Cyprus	Lebanon	Saudi Arabia	

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

CERTAIN DEFINITIONS

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

- "**After-Sales**" refers to after-sales products and services;
- "**Agreed Security Principles**" refers to the agreed security principles scheduled to the Revolving Credit Facility Agreement;
- "**Backlog**" means the contracted future revenue relating to all signed orders from customers;
- "**Book-Entry Interests**" means collectively (i) the Rule 144A Restricted Book-Entry Interests, and (ii) the Regulation S Book-Entry Interests;
- "**Business Day**" refers to each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York City, New York, United States of America, or London, United Kingdom are authorized or required by law to close;
- "**Calculation Agent**" means The Bank of New York Mellon, London Branch;
- "**Class Exemptions**" means collectively: (i) PTCE 84-14; (ii) PTCE 90-1; (iii) PTCE 91-38; (iv) PTCE 95-60; and (v) PTCE 96-23;
- "**Clearstream**" means Clearstream Banking, *société anonyme*;
- "**Code**" means the U.S. Internal Revenue Code of 1986, as amended;
- "**Common Depositary**" means the common depositary of the Global Notes for the accounts of Euroclear and Clearstream;
- "**CONSOB Regulation on Intermediaries**" means CONSOB Regulation No. 20307 of February 15, 2018, as amended;
- "**CONSOB**" means the *Commissione Nazionale per la Società e la Borsa* (the Italian securities exchange commission);
- "**Consolidated Banking Act**" means Italian Legislative Decree No. 385 of September 1, 1993, as amended;
- "**Consolidated Financial Act**" means Italian Legislative Decree No. 58 dated February 24, 1998, as amended;
- "**Consolidated Financial Statements**" means the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2021, 2022 and 2023 prepared in accordance with IFRS, audited by EY S.p.A., prepared in accordance with IFRS and containing the English translation of the auditors' reports therein;
- "**CRS**" means the common reporting standard;
- "**Decree 231**" means Italian Legislative Decree 231/2001;
- "**Decree 83/2015**" means the Law Decree no. 83/2015, containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law, which was approved by the Italian Government on June 23, 2015, entered into force in June 2015 and converted into law by Law No. 132/2015;
- **"Decree No. 209"** means Italian Legislative Decree No. 209 of December 27, 2023;
- "**Decree No. 201/2011**" means Italian Law Decree No. 201 of December 6, 2011;
- "**Decree No. 239/1996**" means Italian Legislative Decree No. 239 of April 1, 1996;

- "**Decree No. 461/1997**" means Italian Legislative Decree No. 461 of 21 November 1997, as subsequently amended and supplemented;
- "**Decree No. 917**" means Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented;
- "**Definitive Registered Notes**" means the definitive registered Notes in certificated form that each of Euroclear and Clearstream reserves the right to obtain in exchange for the Global Notes, if there is an event of default under the Notes;
- "**Disposal Plan**" means a plan, prepared by the relevant extraordinary commissioner(s), which can provide for the sale of the business as a going concern within one year (unless extended by the Ministry);
- "**Distributor**" means any person subsequently offering, selling or recommending the Notes;
- "**EEA**" means the European Economic Area;
- "**ERISA Plans**" means employee benefit plans subject to Title I of ERISA and entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise;
- "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.
- "**EU ETS**" means the EU Emissions Trading System;
- "**EU Prospectus Regulation**" refers to Regulation (EU) 2017/1129, as subsequently amended and supplemented;
- "**Euroclear**" means Euroclear Bank SA/NV;
- "**Existing Shareholder's Loans**" means the outstanding shareholder's loans granted by Sofima PIK to the Issuer;
- "**Facility Agreements**" means collectively the Revolving Credit Facility Agreement and the Guarantee Facility Agreement;
- "**Finance Act 2017**" means Italian Law No. 232 of December 11, 2016;
- "**Finance Act 2019**" means Italian Law No. 145 of December 30, 2018;
- "**Financial Promotion Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
- "**First Level Bank**" means an Italian or foreign bank or a financial institution (which could be a non-EU resident);
- "**Food Packaging Regulation**" means the European Commission Regulation on Plastic Materials and Articles Intended to Come into Contact with Food;
- "**Framework Convention on Tobacco Control (FCTC)**" refers to the framework convention for tobacco control adopted by the World Health Organization on May 21, 2003 in Geneva;
- "**FSMA**" means the UK Financial Services and Markets Act 2000;
- "**FTT**" means Italian financial transaction tax pursuant to Law No. 228 of December 24, 2012;
- "**Fund**" means an Italian-resident noteholder that is an open-ended or a closed-ended collective investment fund other than a RE Fund;
- "**Global Notes**" means collectively the Regulation S Global Notes and the Rule 144A Global Notes;

- "**Good Automated Manufacturing Practice (GAMP)**" refers to the guide made by the International Society for Pharmaceutical Engineering for the validation of automated systems in the pharmaceutical industry, which describes a set of principles and procedures that help ensure that pharmaceutical products, packaging included, have the required quality;
- "**Good Manufacturing Practices (GMP)**" refers to the practices required in order to conform to the guidelines recommended by agencies that control authorization and licensing for manufacture and sale of food, drug products, and active pharmaceutical products;
- "**Grandfathered Obligations**" means debt instruments that are outstanding on the date that is six months after the date of the publication of final Treasury Regulations defining the term "foreign passthru payments";
- "**Group**" means the business of the Issuer and its subsidiaries;
- "**Guarantee Facility**" means the guarantee facility, to which the Issuer has acceded as borrower, established pursuant to the super senior guarantee facility dated November 17, 2020, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit S.p.A. as agent and Kroll Trustee Services Limited as security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;
- "**Guarantee**" means the guarantee of the obligations of the Issuer by the Guarantor and subject to the Agreed Security Principles;
- "**Guarantor**" means IMA Life North America Inc.;
- "**HoldCo PIK Facility**" means the payment-in-kind notes issued by SOFIMA which will be repaid as part of the Transaction;
- "**IFRS**" means International Financial Reporting Standards as adopted by the EU;
- "***imposta sostitutiva***" means the substitute tax provided for by Decree No. 239/1996;
- "**Indenture**" means the indenture, dated as of the Issue Date, governing the Notes;
- "**Initial Purchasers**" means J.P. Morgan SE, BofA Securities Europe SA, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Mediobanca—Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International Plc, and UniCredit Bank GmbH;
- "**Insurance Distribution Directive**" means Directive (EU) 2016/97, as amended;
- "**Interest**" means the interest, premium and other income (including the difference between the redemption amount and the issue price);
- "**Intermediary**" means banks, SIM, fiduciary companies, SGR, stockbrokers and qualified entities, identified by a decree of the MEF;
- "**IRAP**" means the Italian regional tax on productive activities;
- "**IRES**" means Italian Corporate income tax;
- "**Issue Date**" means the date of original issuance of the Notes;
- "**Issuer**" means I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**Issuers' Regulation**" means the CONSOB Regulation No. 11971 of May 14, 1999, as amended;
- "**Italian Bankruptcy Law**" means the Royal Decree No. 267 of March 16, 1942, as reformed and currently in force;

- "**Italian Civil Code**" means the Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented;
- "**Italian Golden Power Authority**" means the presidency of the Italian Council of Ministries (*Presidenza del Consiglio dei Ministri*);
- "**Italian Golden Power Clearance**" means the obtaining of the clearances, approvals and consents required to be obtained under the applicable Italian Golden Power Legislation, including any statement from the Italian Golden Power Authority that it lacks or declines jurisdiction or a decision confirming that the request is not subject to filing pursuant to the Italian Golden Power Legislation or the expiration of the applicable review period (or any extension thereof), as applicable, without any decision, communication or act by the Italian Golden Power Authority, to the extent that such inaction has the same effect as an explicit clearance, approval or consent;
- "**Italian Golden Power Legislation**" refers to Italian Law Decree (*decreto legge*) No. 21 of March 15, 2012, as converted into law and amended by Italian Law (*legge*) No. 56 of May 11, 2012; the Italian Law Decree (*decreto legge*) No. 105 of September 21, 2019, as converted into law and amended by Italian Law (*legge*) No. 133 of November 18, 2019; the Italian Law Decree (*decreto legge*) No. 23 of April 8, 2020, as converted into law and amended by, *inter alia*, Italian Law (*legge*) No. 40 of June 5, 2020; the Italian Law Decree (*decreto legge*) No. 21 of March 21, 2022, as converted into law and amended by Italian Law (*legge*) No. 51 of May 20, 2022; and the Italian Law Decree (*decreto legge*) No. 104 of August 10, 2023, as converted into law and amended by Italian Law (*legge*) No. 136 of October 9, 2023, each as subsequently amended and supplemented, and including the relevant Presidential Decrees (*decreti del Presidente della Repubblica*) and Prime Ministerial Decrees (*decreti del Presidente del Consiglio dei Ministri*) adopted from time to time in relation to the abovementioned laws and regulations;
- "**Italian Guarantor**" means each Guarantor incorporated and resident for tax purposes in the Republic of Italy;
- "**Italian Insolvency Code**" means Italian Legislative Decree No. 14 of January 12, 2019, as subsequently amended;
- "**Italian Resident Noteholder**" means an Italian resident beneficial owner of the Notes;
- "**IVAFE**" means the Italian wealthy tax Italian resident individuals, non-commercial entities, including trusts and foundations, and so called *società semplici* (and similar partnerships pursuant to Article 5 of Decree No. 917) holding Notes outside the Italian territory are required to pay pursuant to Decree No. 201/2011;
- "**Law 132/2015**" means Law No. 132/2015, converting the Decree 83/2015 and entered into force on August 21, 2015;
- "**Law 95/2015**" means Italian Law No. 95/2015;
- "**Law Decree 69/2013**" means Law Decree No. 69/2013 as converted into Law No. 98/2013;
- "**Maintenance Capital Expenditures**" refers to cash expenditures (including expenditures for the addition or improvement to or replacement of the assets owned by the Issuer) made to maintain the long-term operating capacity of the Issuer's assets;
- **"MEF"** means the Italian Ministry of Economy and Finance;
- "**Member State**" means a member state of the European Union;
- "**MiFID II**" means Directive 2014/65/EU as amended;
- "**Ministry**" means the Italian Ministry of Economic Development;

- “**New Generation Products**” means products alternative to traditional tobacco products such as opened or closed vapor-based products, disposable cig-a-like, tank system, e-liquid, rechargeable cig-a-like and cartridges, closed tank, heated-tobacco-products;
- “**New Orders Intake**” means the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog;
- “**Notes Collateral**” means, collectively, the Post-Clearance Share Pledge and any additional share pledges over the capital stock of any material subsidiary of the Issuer that is a guarantor or any subsidiary that is a borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement, to the extent such pledges are required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any material subsidiary as a guarantor or the accession of any subsidiary as a borrower, and to the extent not previously provided and subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements;
- “**Notes**” means the €450,000,000 Senior Secured Floating Rate Notes due 2029 offered hereby;
- “**OCRI**” means *Organismo di Composizione della Crisi di Impresa*;
- “**OECD Agreement**” means the OECD’s multilateral competent authority agreement;
- “**OECD**” means the Organization for Economic Co-operation and Development;
- “**Offering Memorandum**” means this offering memorandum in relation to the Offering;
- “**Offering**” means the offering of Notes hereby;
- “**Original Equipment**” refers to complex machinery for companies in the pharmaceutical, food and beverage, tobacco and other industries that we design, develop, assemble and install;
- “**OSHA**” means the Occupational Safety and Health Act of 1970;
- “**Paying Agent**” means The Bank of New York Mellon, London Branch;
- “**Pension Fund Tax**” means the 20.0% substitute tax due in Italy by Italian pension funds on their management result accrued at the end of each tax period;
- “**Pillar 2 Directive**” refers to Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union;
- “**Plan Fiduciary**” means any fiduciary or other person investing the assets of a Plan;
- “**Plans**” means collectively (i) plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts; and (ii) ERISA Plans;
- “**Post-Clearance Share Pledge**” means the pledge over all shares of the capital stock of the Issuer;
- “**PRIIPs Regulation**” means Regulation (EU) No 1286/2014;
- “**PTCE**” means Prohibited Transaction Class Exemption;
- “**Purchase Agreement**” means a purchase agreement pursuant to which the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer the entire principal amount of the Notes;
- “**QIBs**” or “**Qualified Institutional Buyers**” means qualified institutional buyers as defined in Rule 144A;

- "**Qualified Investors**" means the qualified investors (*investitori qualificati*), as defined by Article 2, letter (e), of the EU Prospectus Regulation and Article 100, paragraph 1(a), of the Consolidated Financial Act, as implemented by CONSOB Regulation on Intermediaries and the Issuers' Regulation;
- "**Qualified Stated Interest**" means, generally, stated interest that is unconditionally payable at least annually at a qualifying rate during the entire term of the Note;
- "**RE Funds**" means Italian real estate investments funds;
- "**RE SICAFs**" means Italian real estate close-ended investment companies;
- "**Recast EU Insolvency Regulation**" means Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (recast);
- "**Recovery Plan**" means a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry);
- "**Registrar**" means The Bank of New York Mellon SA/NV, Dublin Branch;
- "**Regulation S Book-Entry Interests**" means the interests in the Regulation S Global Notes;
- "**Regulation S Global Notes**" means the global notes in registered form without interest coupons attached under the Securities Act, representing each series of the Regulation S Notes;
- "**Regulation S Notes**" means each series of the Notes sold outside the United States in reliance on Regulation S under the Securities Act;
- "**Regulation S**" means Regulation S under the Securities Act;
- "**Relevant Persons**" means the following persons with reference to the UK: (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Promotion Order), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated;
- "**Relevant Securities**" means shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not);
- "**Relevant State**" means each Member State of the EEA and the United Kingdom;
- "**Restore Liquidity Decree**" means Law Decree No. 23 of April 8, 2020;
- "**Revolving Credit Facility Upsize**" has the meaning ascribed to it under "*Summary—The Revolving Credit Facility Upsize*."
- "**Revolving Credit Facility**" means the revolving credit facility established pursuant to the super senior revolving credit facility agreement dated November 17, 2020, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit S.p.A. as agent and Kroll Trustee Services Limited as security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time;
- "**ROL**" means EBITDA (risultato operativo lordo della gestione caratteristica);
- "**Rule 144A Global Notes**" means the global notes in registered form without interest coupons attached representing each series of the Rule 144A Notes under the Securities Act;

- "**Rule 144A Notes**" means each series of the Notes sold within the United States to QIBs in reliance on Rule 144A of the Securities Act;
- "**Rule 144A Restricted Book-Entry Interests**" means the interests in the Rule 144A Global Notes;
- "**Rule 144A**" means Rule 144A under the Securities Act;
- "**SARA**" means the Superfund Amendments and Reauthorization Act of 1986;
- "**SEC**" means the U.S. Securities and Exchange Commission;
- "**Second Level Bank**" means an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities;
- "**Securities Act**" means the U.S. Securities Act of 1933, as amended;
- "**Security Agent**" means Kroll Trustee Services Limited, in its capacity as security agent under the Indenture, the Intercreditor Agreement, the Existing Indenture and the Revolving Credit Facility Agreement, and as representative (*rappresentante*) of the holders of the Notes and the holders of the Existing Notes pursuant to and for the purposes set forth under article 2414-*bis*, paragraph 3, of the Italian Civil Code;
- "**SGR**" means an Italian asset management company (*società di gestione del risparmio*);
- "**SICAF**" means a close-ended investment company *(società di investimento a capitale fisso);*
- "**SICAV**" means an open ended investment company (*società di investimento a capitale variabile*);
- "**SIM**" means *società di intermediazione mobiliare*;
- "**Similar Law**" means non-U.S., state, local or other federal laws or regulations that are substantially similar to certain provisions of ERISA and the Code;
- "**Sofima PIK**" means Sofima PIK S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**SOFIMA**" means So.Fi.M.A. Società Finanziaria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated in Italy;
- "**Stabilizing Manager**" means J.P. Morgan SE;
- "**Suspect Period**" means a certain legally specified period provided for the Italian law, in the event that an entity becomes subject to insolvency proceedings, during which guarantees and security interests given said entity or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor;
- "**TEHG**" means the Greenhouse Gas Emission Trading Act (*Treibhausemissionshandelsgesetz*);
- "**Tobacco Directive**" means the European Parliament and European Council adopted Directive 2014/40/EU concerning the manufacture, presentation and sale of tobacco and related products;
- "**Transactions**" collectively: (i) the issuance and offering of the Notes; (ii) the Revolving Credit Facility Upsize; and (iii) the use of proceeds of the Notes as set out under "*Use of Proceeds*";
- "**Transfer Agent**" means The Bank of New York Mellon SA/NV, Dublin Branch;
- "**Treasury Regulations**" means the U.S. Treasury Regulations;

- "**Trustee**" means BNY Mellon Corporate Trustee Services Limited;
- "**TSCA**" means the United States, Toxic Substances Control Act;
- "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person;
- "**UK**" means United Kingdom;
- "**White List**" means, pursuant to Italian law, the list of countries which allow for a satisfactory exchange of information with Italy, as identified in the Italian Ministerial Decree of September 4, 1996, as amended and supplemented from time to time, or, as from the tax year in which the Italian Ministerial Decree to be issued as per Article 11, par. 4 lett. c), of Decree No. 239/1996 is effective, the list of countries therein included.

GLOSSARY

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

- "**Automation**" refers to the Issuer's business segment consisting of designing and developing technological solutions for the set-up of assembly and production lines of medical products and for the production of electric motors and in the automotive, e-mobility, electro-mechanics and watchmaking sectors, as well as medical devices and eye care;
- "**blistering**" refers to machinery that manufacture the aluminum and plastic sheets that hold pills;
- "**CAGR**" means compound annual growth rate;
- "**Consumer**" refers to the Issuer's business segment consisting of producing coffee-processing plants, machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, cosmetics and other personal care products, home care products, tobacco and tissue products;
- "**digitally/sensor-enabled**" means a feature on the machinery that we produce which allows us to interact with the machinery remotely through a secure connection for maintenance and repairs and to implement specific adjustments when needed;
- "**Industry 4.0**" refers to our After-Sales offering of services that include (i) predictive maintenance, (ii) operational efficiency improvement and (iii) digital/data services;
- "**Pharmaceutical**" refers to the Issuer's business segment consisting of making machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machinery for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machinery for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services;
- "**Research and Development**" and "**R&D**" refer to the Issuer's activities aimed at developing profitable products and solutions for its customers with whom it often partners to develop products for their specific packaging needs;
- "**resiliency of revenue**" refers to the degree to which a revenue stream continues generally in line with historical norms despite challenging macroeconomic conditions;
- "**visibility of revenue**" refers to the degree to which a revenue stream can be projected with confidence based on order intake and Backlog.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, *inter alia*, those listed under "*Risk Factors*," as well as those included elsewhere in this Offering Memorandum. In addition, even if our actual results are consistent with the forward-looking statements contained in the Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from those referenced in forward-looking statements, some of which are beyond our control, include, but are not limited to, the following:

- the strong competition we face and the possibility that we may not be able to maintain or expand our current market position;
- our success in protecting our intellectual property, technological know-how and trademarks and avoiding the infringement or allegation of infringement of the intellectual property rights of others;
- the current volatile macroeconomic environment in the regions in which we operate and globally;
- the success of our research and development investments in achieving the expected results;
- the loss of, limited use of, or relocation of one or more of our key manufacturing facilities;
- rising geopolitical risks, including the ongoing conflict between Russia and Ukraine and the reemerging of the tensions in the Middle-East;
- our ability to implement our business strategies or expand into international growth markets and manage future growth effectively;
- our reliance of our supply chain to delivery raw materials and components as needed;
- our ability to maintain the same level of growth experienced in recent years;
- our ability to retain and attract key personnel as well as a specialized labor force;
- the exposure of our Backlog to unexpected adjustments and project cancellations;
- our dependence on information technology as part of our business and the possibility that we could suffer system failures, network disruptions and breaches in data security;

- risks related to the Notes, the Guarantee and the Notes Collateral; and
- other risks related to the Offering.

Unless indicated otherwise, in the description of these factors, the terms "we," "us," "our" or the "Group" refer to the business of the Issuer and its subsidiaries and not the Issuer.

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

The historical financial information included in this Offering Memorandum is that of the Issuer and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2021, 2022, and 2023 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU (the "**IFRS**"), have been audited by EY S.p.A. and contain the English translation of the auditors' reports therein.

Adjustments

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 year ended December 31, 2023. See "*Summary—Summary Consolidated Financial Information*", "*Capitalization*", "*Selected Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." This as adjusted financial information has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had the Transactions occurred on January 1, 2023 or what our actual cash position or indebtedness would have been had the Transactions occurred on December 31, 2023, 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 Securities Act, the EU Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Use of Non-IFRS measures

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

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

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

Gross profit is defined as the difference between Industrial gross profit and Commissions to commercial intermediaries.

Gross profit margin is defined as the ratio between Gross profit and Revenue from contracts with customers.

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

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

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

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

Adjusted EBITDA represents EBITDA plus non-recurring items.

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

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

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

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

Net financial debt is defined in accordance with ESMA Recommendation No. 319 of March 20, 2013, except for (i) financial receivables that are classified as non-current financial assets; and (ii) payables for options to acquire minority interests in subsidiaries.

Net operating working capital is defined as the sum of the trade receivables and inventories less trade payables.

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

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

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

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

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

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

Backlog

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

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

Rounding

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

MARKET AND INDUSTRY DATA

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

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

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

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

TRADEMARKS AND TRADE NAMES

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

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

TAX CONSIDERATIONS

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

SUMMARY

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

Unless indicated otherwise, when we refer to "we," "us," "our" or the "Group" for the purposes of this section, we are referring to the business of the Issuer and its subsidiaries.

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

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 54 manufacturing facilities and more than 7,000 employees, out of whom more than 88% have a high school diploma or university degree, in more than 16 countries, including Italy, the United States, China, Argentina, Germany and Switzerland. Our footprint spans 80 countries and we sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products thanks to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue through new machine orders and After-Sales products and services to existing customers.

For the year ended December 31, 2023, we generated revenue of €2,305.8 million, Adjusted EBITDA of €429.0 million (representing an Adjusted EBITDA Margin of 18.6%) and net profit of €96.3 million. We also have a strong pipeline of on-going projects, with a Backlog of €1,440.5 million, as of December 31, 2023.

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

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling, cartoning and bag-filling systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €990.7 million, or 43.0%, of our total revenue for the year ended December 31, 2023.

Consumer. We design, develop, assemble, and install coffee-processing plants, machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, cosmetics and other personal care products, home care products, tobacco and tissue products. Our Consumer segment generated €922.9 million, or 40.0%, of our total revenue for the year ended December 31, 2023.

Automation. We design and develop technological solutions for the set-up of assembly and production lines of medical products and for the production of electric motors and in the automotive, e-mobility, electro-mechanics and watchmaking sectors, as well as medical devices and eye care. Our Automation segment generated €392.3 million, or 17.0%, of our total revenue for the year ended December 31, 2023.

We offer both Original Equipment and After-Sales products and services within each of our three segments. From 2021 to 2023, our After-Sales business has consistently represented more than 30% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, due to its higher profitability compared to our Original Equipment business, our After-Sales business has represented, on average, 48.5% of our total gross profit over the same period.

The table below sets forth breakdowns of our total revenue by segment and geographical area for the year ended December 31, 2023 and our Backlog as of December 31, 2023. Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Our customers generally pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the year ended December 31, 2023**
	(€ millions)
European Union (excluding Italy)	701.7
Other European countries	201.7
North America	492.3
Asia and Middle East	392.0
Other countries	236.1
Total Exports	2,023.8
Italy	282.0
Total	**2,305.8**

Adjusted EBITDA by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	199.9
Consumer	161.9
Automation	67.2
Total	**429.0**

Revenue by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	990.7
Consumer	922.9
Automation	392.3
Total	**2,305.8**

Gross profit by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	428.3
After-Sales	364.8
Total	**793.1**

Revenue by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	1,553.9
After-Sales	751.9
Total	**2,305.8**

Backlog by segment	As of December 31, 2023
	(€ millions)
Pharmaceutical	699.2
Consumer	403.1
Automation	338.2
Total	**1,440.5**

Our Strengths

We believe there are a number of key factors that drive our success, including (i) our position as an undisputed global leader across various niche and growing markets; (ii) our presence in attractive, regulation driven end markets, underpinned by steady long-term growth drivers and high entry barriers; (iii) our technology leadership, innovation-driven DNA and end-to-end offering driving customer entrenchment; (iv) our well diversified, long standing and solid customer relationships; (v) our recurring revenues driven by aftermarket focus and fast-growing backlog; (vi) a highly resilient and attractive financial profile with strong margins and high cash conversion; and (vii) seasoned leadership with extensive industry experience and proven execution track record.

Undisputed global leader across various niche and growing segments

We operate in several segments, including in the food, beverage, and pharmaceuticals segments, which are among the largest segments of the global packaging machinery market. In particular, we estimate that the food and beverage segments together account for approximately 65% of the total market, amounting to $44 billion in terms of revenue. According to our estimates, the food segment grew at a compound annual growth rate of 4% from 2011 to 2021 and between 9 and 14% from 2019 and 2022, respectively, while the beverages segment grew at a compound annual growth rate of 4% from 2011 and 2022 and between 10 and 15% from 2019 to 2022, respectively. We estimate that the pharmaceuticals packaging machinery market, which is also our key reference market, has demonstrated the strongest growth historically, with a compound annual growth rate of 6% from 2011 to 2021 and between 10 and 15% from 2019 to 2022.

According to our estimates, these segments in which we operate are projected to continue to grow at a compound annual growth rate between 7 and 8% (for food and beverage) and between 8 and 9% (for pharmaceuticals) between 2022 and 2027. For additional information on the markets in which we operate, see "*Industry.*"

We believe we are an established market leader across many growing niches. Although the overall global packaging machinery industry is highly fragmented, we claim market leadership in multiple niches in each of our reference markets. Within the pharmaceuticals packaging machinery market, we believe we are one of the leaders in several niches (blister, capsule filling, tableting, coating, filling, counters and freeze dryers) whereas in the consumer packaging machinery market we believe we are the market leader and estimate our market share to be approximately 70% in the tea and dairy niches.

Within these reference markets, we differentiate ourselves from our competitors primarily through (i) the scale and breadth of our product and service offerings, (ii) our large, high-quality, and loyal existing customer base, which includes leading pharmaceutical and consumer products companies, (iii) our wide geographic coverage, (iv) our long history and experience in the business, (v) our best-in-class technology, and (vi) our unique, flexible supply chain that drives superior delivery times.

Attractive, regulation driven end markets, underpinned by steady long-term growth drivers and high entry barriers

The reference markets that we primarily serve have steady long-term macro trends supporting future growth, which include: (i) changing demographics and an aging society; (ii) increasing medical spending and attention to healthcare and well-being; (iii) moving towards sustainable and ethical consumption practices; (iv) increasing emphasis on convenience and on-the-go lifestyles; (v) increasing regulatory requirements; (vii) increasing product safety concerns; and (vii) growing demand for factory automation and digitally-enabled Industry 4.0.

The packaging machinery market has demonstrated that the resilient growth is driven, in part, by the fact that packaging machinery plays a key role in both driving customers' revenue growth and keeping their costs down, while ensuring quality and reliability. In addition, the After-Sales market is characterised by non-discretionary expenditures for customers and lead to demand resiliency in any market cycle. After-Sales revenue contributes to a recurring revenue stream and is driven by a growing installed base and timely maintenance along with swift response times.

While steady long-term macro trends support growth of the markets generally, market leaders are protected by significant barriers to entry. The main barriers to entry that protect our well-established leading position in our key markets include: (i) increasing hygiene and safety requirements coupled with reliability; (ii) continuous need to invest in technology within the industry; (iii) increasing emphasis on sustainability alongside stringent recycling regulations; (iv) customized and complex requirements for large and medium sized customers; (v) growing need for quality and reliability in relation to mission critical services; (vi) strong service network with close customer proximity; (vii) high costs associated with unscheduled downtime; and (viii) integrated systems with the requirement of know-how of the entire production line.

We believe that our presence in end markets with steady long-term growth trends and high barriers to entry can help us enjoy continued consistent growth in revenue and profits.

Technology leadership, innovation driven DNA and end to end offering driving customer entrenchment

We are at the forefront of technological innovation, continuously improving our machine capabilities and efficiencies while ensuring highest standards of quality and reliability. We have an end to end offering right from component sourcing to design, manufacturing, assembly and testing of complex machines. We also complement our Original Equipment business with After-Sales support. Our end-to end offering along with swift and quality service drives customer entrenchment. Our core offering is focussed on product filling and primary packaging industries which have higher need for innovation and where only a few players are able to compete thereby resulting in a loyal customer base. Primary packaging is at the core of all packaging operations and usually has the most complex machinery across the entire line.

We are focused on the highest-value added segments of the value chain which require significant technical expertise and process know-how. Our technology leadership is demonstrated by our 3,000 patents and enabled by a 7,000 strong workforce that is 88% highly educated (i.e., 88% have a high school diploma or university degree) and with a focus on R&D (i.e., 22% are currently working in the R&D division).

Our engineering excellence also enables us to deliver highly-customized products which can command higher profit margins. We have also fostered a diverse and collaborative network of suppliers. The tight integration of these suppliers with our operations has enabled us to centralize procurement and enterprise resource planning systems, and provides us with higher operational flexibility, lower delivery time, limited capex need and a more variable cost base, each of which is a significant competitive advantage.

Well diversified, long standing and solid customer relationships.

Our customers are spread out geographically, with Italy, Europe (excluding Italy), North America, Asia and Middle East and the rest of the world accounting for 12%, 39%, 21%, 17% and 10% respectively, of our revenue for the year ended on December 31, 2023. Our customers are also highly diversified segmentally where Pharmaceutical, Consumer and Automation constitutes for 43%, 40% and 17% respectively, of the revenue for the year ended on December 31, 2023.

Our customer base is highly diversified and includes several blue chip customers including AstraZeneca, Johnson & Johnson, Merck, Nestlé, Novartis International, Pfizer, Sanofi, ThermoFischer, and Unilever. A majority of these clients have been our customers for more than 20 years, ordering with us since the 1990s.

While we have solid customer relationships with large multinational companies, we are not overly reliant on any customer; in 2023 revenues from our top-10 customers represented only 12% of our total revenues. This diversification further mitigates the risk of exposure to any specific client, geography, or industry.

Recurring revenues driven by strong aftermarket focus and fast-growing backlog

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

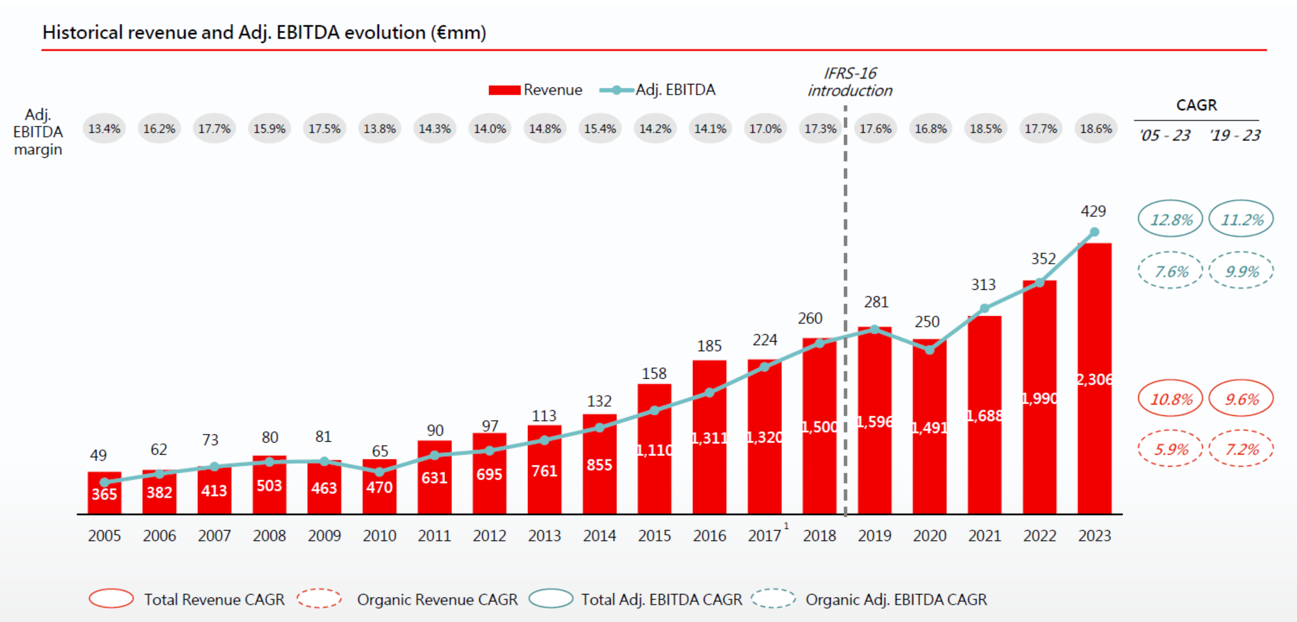
Our After-Sales business is characterized by recurring and stable revenue, and higher margins. It has historically grown in line with our installed base of original equipment, which presents us with regular opportunities to supply our customers with replacement parts and services. From 2021 to 2023, our After-Sales business has consistently represented more than 30% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, due to its higher profitability compared to our Original Equipment business, our After-Sales business has represented, on average, 48.5% of our total gross profit over the same period. The resilience in the After-Sales business is due to the overriding need of customers to avoid downtime, leading to predictable expenditure on spare parts and maintenance (including predictive maintenance) and our ability to deliver After-Sales services remotely.

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

Our Backlog has grown from December 31, 2021 to December 31, 2023 at a compound annual growth rate of 13.9% from €1.1 billion to €1.4 billion. This substantial and increasing Backlog provides several key benefits, including: (i) future visibility of revenue (*e.g.*, we estimate that our Backlog as of December 31, 2023 provided approximately 9 months of forward revenue visibility); (ii) increasing revenue coverage (*e.g.* for the years ended December 31, 2021, and 2022, our Backlog as of the end of the year represented 80.9% and 90.0% of the next year's revenue respectively excluding After-Sales revenues); (iii) upfront non-refundable cash payments (up to 30% of our order value is paid upfront by customers, thus locking in future revenue and strongly disincentivizing customers from cancelling their orders); and (iv) an optimally budgeted cost base, tailored in advance on expected future production, thus allowing flexibility in economic or business downturns.

Highly resilient and attractive financial profile with strong margins and high cash conversion

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



Note: 2005-2023 CAGR information for organic revenue and organic adjusted EBITDA is computed based on our Group perimeter as of December 31, 2005 and excluding contributions to our consolidated revenue and Adjusted EBITDA, respectively, of companies and businesses acquired following such date. 2019-2023 CAGR information for organic revenue and organic adjusted EBITDA is computed based on our Group perimeter as of December 31, 2019 and excluding contributions to our consolidated revenue and Adjusted EBITDA, respectively, of companies and businesses acquired following such date.

Our financial track record is indicative of an attractive underlying business model that has delivered consistent revenue, revenue growth, EBITDA, EBITDA Margin, and cash flow generation (*i.e.*, EBITDA, less capital expenditures). As a result of these developments, our revenue from contracts with customers grew from €1,688.3 million in 2021 to €2,305.8 million in 2023, representing a compound annual growth rate of 16.9%. Adjusted EBITDA has grown from €312.8 million in 2021 to €429.0 million in 2023, representing a compound annual growth rate of 17.1%. On an organic basis (i.e. taking into account revenues and Adjusted EBITDA generated by our Group perimeter as of December 31, 2019 and excluding contributions of companies and businesses acquired following such date), revenue and Adjusted EBITDA grew by 7.2% and 9.9% respectively since 2019. In 2021, 2022, and 2023, the Adjusted EBITDA Margin was 18.5%, 17.7%, and 18.6% respectively. Cash flow generation has increased from €193.2 million in 2021 to €305.6 million in 2023. Our asset-light business model, which entails the outsourcing of low value manufacturing activities, along with our limited capital expenditure requirements and highly variable cost base (with the majority of our total costs of sale being variable), drives our high cash flow generation, with an average cash conversion rate of approximately 66% from 2021 to 2023.

Seasoned leadership with extensive industry experience and proven execution track record

Our business is supported by our highly experienced management team, which has led the strategic expansion of both our product and services offerings and our geographical reach. Our experienced senior management team, consisting of our Chief Executive Officer, Alberto Vacchi; Chief Financial Officer, Sergio Marzo; Chief Global Business & Operations Officer, Massimo Marchesini; and, Chief Corporate Organisation Officer, Massimo Ferioli, have each been with us for at least 25 years. Our senior management is supported by a functional management team whose members have been with us for more than 25 years on an average.

Since January 1, 2020, our management team has increased business scale by 1.5x in terms of revenue and almost doubled our Adjusted EBITDA. The team has delivered best-in-class organic growth: our Adjusted EBITDA increased, from €312.8 million in 2021, to €351.9 million in 2022 and €429.0 million in 2023 and over the same period our Adjusted EBITDA Margin increased, from 18.5% in 2021, 17.7% in 2022 and 18.6% in 2023. The team has an in depth understanding of the packaging machinery industry, an extensive network of industry relationships that span across the globe, and the ability to deliver high-quality and innovative products and services thereby reinforcing our technology driven DNA. We also intend to draw from the market expertise, business relationships, knowledge and experience of our historical shareholder, the Vacchi family, which will continue to be represented on the management team and remain invested, together with our new shareholder BDT & MSD Partners. Lastly, we have proven our ability to attract the right talent for the company with 7.5% employee churn rate and fully adopted an ESG-driven agenda at the heart of all our operations.

Our Strategies

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

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

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

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

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

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

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

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

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

We intend to pursue selective value-accretive bolt-on acquisition opportunities that align with our overall strategic objectives in order to reinforce our global market leadership position and penetrate fast-growing niches. We have successfully completed and integrated several strategic acquisitions such as GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Ilapak Group in 2014, Komax Group (Medtech) in 2016, Tissue Machinery Company in 2018, ATOP in 2019, IMA Dairy & Food Holding GmbH in 2022, and Phoenix and Mespic in 2023. These acquisitions were executed at attractive multiples that fuelled our historical growth, which was already supported by a strong organic growth. Our acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. The packaging industry is characterized by a fragmented market with a long tail of small companies. As such, we believe that our M&A platform positions us well to benefit from consolidation of smaller players in our industry. Our team is fully dedicated to M&A activity and follows acquired companies from deal origination to post-deal integration and transformation. We are continuously evaluating potential targets for value-creating M&A opportunities. We intend to maintain our efforts on acquisitions that directly or indirectly expand our presence and sales. By increasing our presence, we would be able to further serve our long-standing customers in those regions. We will also seek acquisition opportunities that add new technologies, generate cost synergies and unlock meaningful cross-selling potential.

Focus R&D investments on automation and materials handling

R&D and innovation are at the core of our value proposition to customers. Our research and development division is focused on improving existing products, creating new products based on customers' needs and innovating our production processes. We intend to focus on maintaining our leading position at the forefront of technological advancement in our market. To do so, we plan to continue investing in our R&D activity and maintain around 5.3% of our revenue investment in R&D each year. We believe these investments will pay off as we can exploit market demand that is less price-sensitive, but rather is focused on improvements in technology and time-to-market.

We will continue focusing a substantial part of our R&D resources on automation and digitalization, that are driving machine complexity across all end markets, through increased inclusion of sensors and software as a means to increase machine productivity. In addition, health and safety measures on production lines have led to changes in machinery requirements as businesses adapt to new workspace regulations. We believe our leading position in producing fully automated production lines across a range of end markets, our reputation for quality and innovation, as well as our longstanding relationships with blue-chip customers, positions us to take advantage of these developments.

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

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

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

Maintain strong focus on cash flow generation

We continue to improve the cash flow generation of our business, which due to its low capital intensive nature, has allowed us to achieve an average cash conversion rate of approximately 66% between 2021 and 2023 and can ultimately support our deleveraging efforts in the future. As part of this strategy, our management intends to continue its focus on profitability, disciplined working capital management, and targeted capital spending. Consistent with our historical performance, we intend to maintain a disciplined approach to growth by exploiting the favorable trends in our industry and adopting a selective acquisition strategy. We also plan to continue strengthening and expanding our efficient distribution platform, geographical reach and scale to extract further synergies, improve operating leverage, and maintain an attractive profitability and cash flow profile.

Our History

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

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

Since the late 2000s, we continued to acquire companies with the goal of acquiring technological capabilities and organize the Issuer to become a leader in its key business segments. In 2008, we acquired the freeze-drying machinery business of the BOC Edwards Pharmaceutical Systems Group, a leader in that market with operations in the Netherlands, the United States, and China. In 2010, we acquired GIMA S.p.A., based near Bologna, Italy, which operated in the automation, coffee, confectionary and personal care markets. In 2011, we acquired

Sympak Corazza Group, a dairy and convenience food packaging company, to give us greater exposure to those growing markets. In 2012, we implemented a new organizational structure with two main brands: IMA Industries (machines for the packaging of tea, coffee, food, and cosmetic products) and IMA Pharma (machines for the processing and packaging of pharmaceutical products). In 2013, we acquired ILAPAK Group, based in Switzerland, to gain exposure to the flexible packaging business. In 2016, we enhanced our product line and our global presence through the acquisition of the Medtech business of Komax Group, which has plants in Switzerland, the United States, and Malaysia. In 2017, we listed GIMA TT S.p.A. ("**GIMA TT**"), our subsidiary specialized in packaging for next generation tobacco products, on the Milan Stock Exchange, but, in 2019, we merged with GIMA TT, delisted it and made it the foundation of our Tobacco segment. In 2018, we acquired Tissue Machinery Company ("**TMC**"), a manufacturer of tissue and personal care products. In 2019, we acquired ATOP, a leading company in industrial automation for the production of electric motors for E-traction.

In 2021, after 25 years on the Milan Stock Exchange, the Issuer went private following a successful public tender offer by IMA BidCo S.p.A., an entity owned, indirectly, by BC Partners LLP and the Vacchi family. The transaction, which took place during the height of the Covid-19 pandemic, was undertaken to enable the Issuer to take advantage of opportunities for development and growth, including through the completion of major acquisitions and expansion into new markets. In 2021, following the delisting of the Issuer, the corporate structure of the Group was simplified through the merger of Sofima Holding S.p.A. and IMA BidCo S.p.A. into the Issuer. For further information related to the group's structure, see "*Summary Corporate and Financing Structure*."

In 2022, we completed the purchase of a 34.9% stake in IMA Dairy & Food Holding GmbH, of which we already held 40%. In January 2024, we purchased the remaining 25.1% and as a result IMA Dairy & Food Holding GmbH is a wholly-owned subsidiary of the Issuer. In 2023, we acquired 60% of Phoenix Italia S.r.l., a company that develops, manufactures and sells labelling solutions for distributors, system integrators and original equipment manufacturers, covering various industries with a focus on logistics, and acquired 70% of Mespic S.r.l., a company that develops, manufactures and sells tailored made machines.

In 2023, BDT & MSD Partners acquired BC Partners' indirect shareholding in the Issuer. Following the transaction, the Vacchi family retains voting control of the Issuer. See "*Principal Shareholders.*"

Information about the Issuer

I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna No. 00307140376. The Issuer is wholly owned by Sofima PIK.

Recent Developments

On March 18, 2024, we entered into an agreement for the acquisition of a 60% stake in OMAS Tecnosistemi S.p.A., a leading supplier of high-tech customized solutions in the cosmetics, make-up and personal care sectors headquartered in Cerro Maggiore, Milan, Italy, for a consideration of approximately €16 million, subject to customary adjustments. We expect to close this acquisition by the end of April 2024.

Current Trading following December 31, 2023

Based on preliminary results derived from our unaudited management accounts, we estimate that our revenues from contracts with customers and EBITDA for the two months ended February 29, 2024 slightly increased compared to the same period in 2023.

The preliminary financial results presented above are derived from our accounting records and internal management accounts and are not intended to be a comprehensive statement of our financial or operational results since December 31, 2023. The unaudited preliminary management accounts were not prepared with a view towards compliance with published guidelines of the SEC, CONSOB, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of preliminary management accounts, IFRS or GAAP. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the accompanying unaudited preliminary management accounts for the purpose of its inclusion herein, and accordingly, our independent auditors do not express an opinion or provide any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, *the unaudited preliminary management accounts does not take into account any circumstances or events occurring after the date it was prepared.*

The unaudited preliminary management accounts set out above is based on a number of assumptions and judgments that are subject to inherent uncertainties and subject to change. In addition, our actual results for three months ended March 31, 2024 may vary from the preliminary management accounts contained above, and such variations could be material. As such, you should not place undue reliance on the inclusion of unaudited preliminary management accounts in this Offering Memorandum should not be regarded as an indication that such preliminary management accounts will be an accurate prediction of future events, and such information should not be relied on as such. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

The Transactions and Use of Proceeds

The Offering and Related Use of Proceeds

The following table shows the estimated sources and uses of funds related to the Offering as if the Offering had been completed on December 31, 2023. Amounts set forth below are based on amounts outstanding as of December 31, 2023 and do not reflect repayments, accrued interest or cash movements subsequent to December 31, 2023. Actual amounts will vary from estimated amounts depending on several factors, including the timing of the Offering, estimated costs, accrued interest, break and other costs and fees and expenses compared to our estimates. See "*Use of Proceeds*" and "*Capitalization*."

Sources of funds (in millions of Euros)		**Uses of funds (in millions of Euros)**	
Notes offered hereby(1)	450	Repayment of Existing Shareholder's Loan and payment of dividend(2)	408
		Financing/Refinancing of certain 2024 M&A indebtedness and costs(3)	37
		Fees and expenses relating to the Offering(4)	5
Total sources	450	**Total uses**	450

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

(2) Sofima PIK will provide the funds obtained through the repayment and cancellation of the Existing Shareholder's Loan and the payment of a dividend to SOFIMA, which will use such funds to repay and cancel the HoldCo PIK Facility. Assuming that the repayment of the Holdco PIK Facility occurs on April 19, 2024, the nominal amount of the HoldCo PIK Facility will be approximately €385 million, the interest accrued and unpaid will be approximately €16 million and the redemption premium will be approximately €8 million.

(3) Represents a portion of indebtedness and costs incurred in connection with our M&A activity in 2024 (which consists of (i) a consideration of €29 million for the acquisition of the remaining 25.1% stake of our subsidiary IMA Dairy & Food Holding GmbH that we completed in January 2024 and (ii) a consideration of approximately €16 million, subject to customary adjustments, for the acquisition of a 60% stake in OMAS Tecnosistemi S.p.A. that we expect to complete by the end of April 2024. See "*Summary – Recent Developments.*")

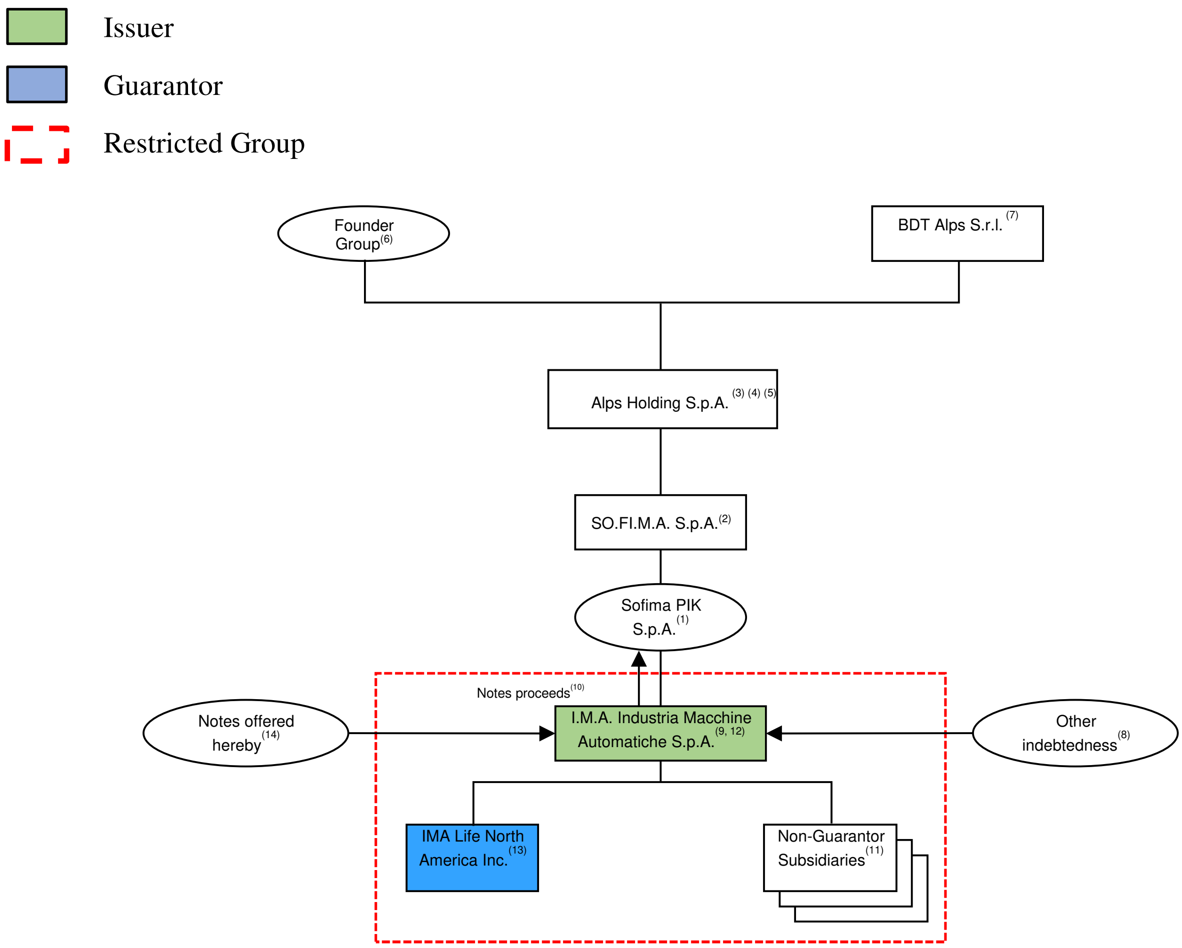
(4) Represents estimated transaction fees and expenses in connection with the Offering. These fees and expenses have been estimated as of the date of this Offering Memorandum and may differ from the actual amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the Transactions.

Revolving Credit Facility Upsize

To further support our liquidity, on or about the Issue Date, certain lenders will make available additional facilities under the Super Senior Revolving Credit Facilities Agreement in an aggregate principal amount of €25 million in accordance with the applicable provisions of the Super Senior Revolving Credit Facilities Agreement, subject to satisfaction of customary conditions precedent (the "**Revolving Credit Facility Upsize**"). As a result of the Revolving Credit Facility Upsize, the total commitments under the Super Senior Revolving Credit Facility will be equal to €175 million. For additional information on the Super Senior Revolving Credit Facility, see "*Description of Certain Financing Arrangements – Super Senior Revolving Credit Facilities Agreement*."

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart summarizes our corporate and financing structure as of the date of this Offering Memorandum. The chart is provided for illustrative purposes only and do not represent all legal entities or debt obligations of the entities presented. For a summary of certain debt obligations, please refer to the sections entitled "Description of the Notes", "Description of Certain Financing Arrangements" and "Capitalization".



Notes:

(1) The Issuer is wholly owned by Sofima PIK S.p.A. ("**Sofima PIK**"), a joint stock company (*società per azioni*) formed under the laws of the Republic of Italy. Sofima PIK is wholly owned by SO.FI.MA. S.p.A. ("**SOFIMA**"), a joint stock company ("*società per azioni*") formed under the laws of the Republic of Italy. See "*Principal Shareholders*." It is currently expected that, following the Offering and the use of proceeds therefrom, including the redemption and cancellation of the HoldCo PIK Facility, Sofima PIK will be merged into SOFIMA.

(2) Alps Holding S.p.A. ("**Alps Holding**") has 100.0% of the voting rights and 97.0% of the shares in SOFIMA. The remaining 0.1% and 2.9% of the shares are owned by F&F IT Individuals and Cofiva S.p.A., respectively. See "*Principal Shareholders*."

(3) F&F IT Individuals refers to certain natural persons who own direct interests (without voting power) in SOFIMA in their individual capacities. See "*Principal Shareholders*."

(4) Cofiva S.p.A. ("**Cofiva**") is a joint-stock company (*società per azioni*) incorporated under the laws of Italy indirectly controlled by Mr. Gianluca Vacchi. Cofiva and Alps Holding entered into a put and call arrangement whereby, *inter alia*, Cofiva may require Alps Holding to purchase in one or more tranches Cofiva's non-voting shares in SOFIMA. See "*Principal Shareholders*."

(5) A group comprising certain members of the Vacchi family, our management and certain additional investors (the "**Founder Group**") has 51.0% of the voting rights in Alps Holding. The remaining 49.0% of the voting rights in Alps Holding is held by BDT Alps S.r.l. See also "*The Summary—Our History*" and "*Principal Shareholders*."

(6) Our CEO, Mr. Alberto Vacchi, has the power to exercise the voting rights in Alps Holding held by the Founder Group pursuant to a power of attorney. It is currently expected that the entities included in the Founder Group will form a company which will hold the shares of the Founder Group in Alps Holding.

(7) BDT Alps S.r.l. is an affiliate of BDT&MSD Partners. For further information, see "*Principal Shareholders*."

(8) As of December 31, 2023, the Issuer, on a standalone basis, had €1,645 million (excluding accrued and unpaid interest) of outstanding indebtedness (including short-term debt) to third parties (of which €25 million is represented by drawings under the

Revolving Credit Facility, €1,273 million represented by the Existing Notes (valued at amortized cost), €142 million of other indebtedness which is mainly represented by advances on export transactions (which are funded mainly through the Guarantee Facility) and applied research and technological innovation loans. and €205 million represented obligations under financial leases and rights of use). For a description of our other financial indebtedness, see "*Description of Certain Financing Arrangements.*"

(9) The Issuer is a joint stock company (*società per azioni*) formed under the laws of the Republic of Italy.

(10) As of December 31, 2023, we owed €230.6 million to Sofima PIK under the Existing Shareholder's Loans, of which €28.7 million formed part of the collateral in respect of the Existing Notes and the Revolving Credit Facility. A portion of the Notes proceeds equal to approximately €408 million will be used to (a) repay in full and cancel the Existing Shareholder's Loans; and (b) pay a dividend to our direct sole shareholder, Sofima PIK, in order for Sofima PIK to provide funds to its sole direct shareholder SOFIMA to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs. See "*Use of Proceeds*."

(11) Wholly or majority owned operating subsidiaries.

(12) A €175.0 million Super Senior Revolving Credit Facility will be available under the Revolving Credit Facility Agreement, following the Revolving Credit Facility Upsize. See "*Summary—The Revolving Credit Facility Upsize.*" The Revolving Credit Facility is guaranteed by the Guarantor and is secured by first-ranking security interests granted on an equal and ratable first-priority basis over the same assets that secure the Existing Notes. See "*Description of Certain Financing Arrangements – Super Senior Revolving Credit Facilities Agreement*."

(13) On the Issue Date, the Notes will be guaranteed by IMA Life North America Inc. Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles and the Intercreditor Agreement, by each additional subsidiary of the Issuer that becomes a guarantor under the Revolving Credit Facility and the Existing Notes. For the year ended December 31, 2023, revenues, EBITDA and total assets of the Issuer and the Guarantor (excluding consolidation adjustments) amounted to €1,311.4 million, €275.9 million and €3,439.3 million, respectively, or 56.9%, 65.7% and 76.8% of our aggregated total revenues, EBITDA and total assets (in each case excluding consolidation adjustments), respectively. Our subsidiaries that will not guarantee the Notes represented 43.1%, 34.3% and 23.2% of our aggregated total revenues, EBITDA and total assets (excluding consolidation adjustments), respectively, for the year ended December 31, 2023.

(14) On the Issue Date, the Notes offered hereby may not be secured by any collateral. On March 20, 2024, Sofima PIK submitted an application with the Italian Golden Power Authority (as defined herein) pursuant to the Italian Golden Power Legislation (as defined herein) with respect to the granting of a first ranking pledge over all of the capital stock of the Issuer (the "**Post-Clearance Share Pledge**"). Unless the Italian Golden Power Authority specifically opposes the granting of the Post-Clearance Share Pledge in its response to the application to receive the Italian Golden Power Clearance, as soon as reasonably practicable and, in any case, by the later of (i) the Issue Date and (ii) the 10th Business Day following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Post-Clearance Share Pledge, subject to the Agreed Security Principles. See "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced*" and "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— The enforcement and, according to a prudential interpretation, the granting or the extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.*" In addition, subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, to the extent required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any material subsidiary as a guarantor or any subsidiary as a borrower thereto, and to the extent not previously provided, each relevant company shall provide a pledge over the shares it owns in each material subsidiary that has acceded as a guarantor or any other subsidiary that has acceded as a borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement to secure, *inter alia,* the Notes (such pledges, together with the Post-Clearance Share Pledge, the "**Notes Collateral**"). The security interest securing the Notes may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability. Under the terms of the Intercreditor Agreement and subject to applicable laws, the holders of the Notes will receive proceeds from the enforcement of the Notes Collateral only after the lenders under the Revolving Credit Facility, the Guarantee Facility and counterparties to certain hedging obligations (if any), have been repaid in full. The Notes Collateral also secures, or will secure, as applicable, on a first-ranking basis the Existing Notes (as defined herein), the Guarantee Facility, and the Revolving Credit Facility (as defined herein), and may secure certain future hedging obligations (if any). In addition, subject to applicable laws, the Guarantee and the security interests in the Notes Collateral may be released under certain circumstances. Subject to the terms of the Indenture, the Intercreditor Agreement, and to applicable laws, the Notes Collateral may be pledged to secure future indebtedness. The Guarantee and the Notes Collateral will be subject to certain material limitations pursuant to applicable laws. See "*Description of the Notes—Notes Guarantee—Notes Guarantee Release*," "*Risk Factors—Risks Related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on Validity and Enforceability of the Notes Guarantee and the Collateral and Certain Insolvency Law Considerations*" and "*The granting of the security interests in the Notes Collateral may create hardening periods for such security interests in accordance with Italian law.*"

THE OFFERING

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

Issuer

I.M.A. Industria Macchine Automatiche S.p.A.

Notes:

€450.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2029.

Issue Date

April 18, 2024.

Maturity Date:

April 15, 2029.

Interest Rate and Interest Payment Dates:

Three month EURIBOR (subject to a 0.0% floor) plus 3.75% per annum, reset quarterly.

Interest on the Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on July 15, 2024. Interest on the Notes will accrue from the Issue Date.

Issue Price:

100.000% plus accrued interest, if any, from the Issue Date.

Form and Denomination

Notes will be issued in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in Book-Entry form. Notes in denominations of less than €100,000 will not be available.

Ranking of the Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*Description of the Notes—Security*";
- rank *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Existing Notes, the Revolving Credit Facility and the Guarantee Facility;
- rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- until the granting of the Post-Clearance Share Pledge, not be secured by any collateral and will be effectively junior to any existing and future indebtedness of the Issuer that is secured by the Notes Collateral;
- after the granting of the Post-Clearance Share Pledge, be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the security interests securing the Notes to the extent of the value of such security interests;
- be effectively subordinated to any existing and future indebtedness (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property

or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and

- be effectively subordinated to any existing or future indebtedness or obligations of the Subsidiaries of the Issuer that are not Guarantor.

See "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral—On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced*" and "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— The enforcement and, according to a prudential interpretation, the granting or the extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.*"

Guarantee

On the Issue Date, the Notes will be guaranteed on a senior basis, subject to the Agreed Security Principles, by the Guarantor. Subsequently, the Notes will be guaranteed jointly and severally on a senior basis, subject to the Agreed Security Principles and the Intercreditor Agreement, by each Subsidiary of the Issuer that becomes a guarantor under the Revolving Credit Facility and the Existing Notes.

As of December 31, 2023, after giving *pro forma* effect to the Transactions, the Issuer's consolidated total debt would have been €2,095 million, of which €450 million is represented by the principal amount of the Notes offered hereby, €1,273 million is represented by the Existing Notes (valued at amortized cost) and €25 million is represented by the principal amount of indebtedness outstanding under the Revolving Credit Facility. As of the same date, after giving *pro forma* effect to the Transactions, the Issuer would have had €150.0 million available for borrowing under the Revolving Credit Facility and €141.5 million available under the Guarantee Facility.

For the year ended December 31, 2023, revenues, EBITDA and total assets of the Issuer and the Guarantor (excluding consolidation adjustments) amounted to €1,311.4 million, €275.9 million and €3,439.3 million, respectively, or 56.9%, 65.7% and 76.8% of our aggregated total revenues, EBITDA and total assets (in each case excluding consolidation adjustments), respectively. Our subsidiaries that will not guarantee the Notes represented 43.1%, 34.3% and 23.2% of our aggregated total revenues, EBITDA and total assets (excluding consolidation adjustments), respectively, for the year ended December 31, 2023.

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

Arrangements—Intercreditor Agreement" and "*Description of the Notes—Guarantee*."

Ranking of the Guarantee

The Guarantee will, upon issuance:

- be a general senior obligation of the Guarantor;
- rank *pari passu* in right of payment with all of the Guarantor's existing and future senior indebtedness that is not expressly subordinated in right of payment to the Guarantee, including the Guarantor's obligations under the Existing Notes, the Revolving Credit Facility and the Guarantee Facility;
- rank senior in right of payment to any existing and future indebtedness of the Guarantor that is expressly subordinated in right of payment to the Guarantee; and
- be effectively subordinated to any existing and future indebtedness of the Guarantor that is secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such indebtedness.

Security

On the Issue Date, the Notes may not be secured by any collateral.

On March 20, 2024, Sofima PIK submitted an application with the Italian Golden Power Authority (as defined herein) pursuant to the Italian Golden Power Legislation (as defined herein) with respect to the granting of a first ranking pledge over all shares of the capital stock of the Issuer (the "**Post-Clearance Share Pledge**"). Unless the Italian Golden Power Authority specifically opposes the granting of the Post-Clearance Share Pledge in its response to the application to receive the Italian Golden Power Clearance, as soon as reasonably practicable and, in any case, by the later of (i) the Issue Date and (ii) the 10th Business Day following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Post-Clearance Share Pledge, subject to the Agreed Security Principles.

In addition, subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, to the extent required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any material subsidiary as a guarantor or any subsidiary as a borrower thereto, and to the extent not previously provided, each relevant company shall provide a pledge over the shares it owns in each material subsidiary that has acceded as a guarantor or any other subsidiary that has acceded as a borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement to secure, *inter alia,* the Notes (such pledges, together with the Post-Clearance Share Pledge, the "**Notes Collateral**").

See "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If* *the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced*" and "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— The enforcement and, according to a prudential interpretation, the granting or the extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.*"

The Notes Collateral currently secures, or will secure, the Existing Notes, the Revolving Credit Facility, the Guarantee Facility and certain hedging obligations. The Notes Collateral will be granted subject to the terms of the Intercreditor Agreement, the Agreed Security Principles and the terms of the security documents. The Notes Collateral may be released under certain circumstances. Subject to the terms of the Indenture, the Intercreditor Agreement, and to applicable laws, the Notes Collateral may be pledged to secure future indebtedness. The Guarantee and the Notes Collateral will be subject to certain material limitations pursuant to applicable laws. Subject to the terms of the Indenture, the Intercreditor Agreement, and to applicable laws, the Notes Collateral may be pledged to secure future indebtedness. The Guarantee and the Notes Collateral will be subject to certain material limitations pursuant to applicable laws. See "*Description of Certain Financing Arrangements—Issuer Debt related to the Transactions—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

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

Under the terms of the Intercreditor Agreement, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after the lenders under the Revolving Credit Facility, the Guarantee Facility, counterparties to certain super priority hedging obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See "*Risk Factors—Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*" and "*Description of Certain Financing Arrangements—Issuer Debt related to the Transactions—Intercreditor Agreement*."

Optional Redemption:

At any time prior to April 15, 2025 the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Notes, *plus* accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date, *plus* a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*."

At any time and from time to time on or after April 15, 2025 the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of their principal amount, *plus* accrued and unpaid interest and additional amounts, if any, to (but not including) the applicable redemption date, as described under "*Description of the Notes—Optional Redemption*."

Tax Redemption

If certain changes in the law of any relevant taxing jurisdiction are announced and become effective on or after the issuance of the Notes that would require the Issuer or the Guarantor to pay Additional Amounts (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100.000% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "*Description of the Notes—Redemption for Taxation Reasons*."

Additional Amounts

Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the paying agent is required to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. Our obligation to gross up is, however, subject to a number of exceptions. See "*Description of the Notes—Withholding Taxes*."

Neither the Issuer nor the Guarantor will have any obligation to pay additional amounts in respect of the Notes for any withholding or deduction imposed on or with respect to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), commonly referred to as the Foreign Account Tax Compliance Act ("**FATCA**"), any U.S. Treasury Regulations promulgated thereunder, any law implementing an intergovernmental approach to FATCA or any agreement between the Issuer, Guarantor or a paying agent and the United States, the Republic of Italy or any authority of any of the foregoing implementing FATCA. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

Original Issue Discount

The Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. If the stated principal amount of the Notes exceeds their "issue price" (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") by an amount equal to or more than a statutorily defined de minimis amount, the Notes will be treated as issued with OID for U.S. federal income tax purposes. In such case, U.S. Holders (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*"), whether on the cash or accrual method of tax accounting, would be required for U.S. federal income tax purposes to include any amounts representing OID in gross income (as ordinary income) as the OID accrues (on a constant yield to maturity basis) in advance of the receipt of cash payments to which such income is attributable. For further discussion, see "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

Change of Control

Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101.0% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. A change of control will not be deemed to have occurred if a certain consolidated net leverage ratio is not exceeded as a result of such event. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event*."

Certain Covenants

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

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

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

Use of Proceeds

The gross proceeds from the offering of the Notes will be used: (i) to (a) repay in full and cancel the Existing Shareholder's Loans and (b) pay a dividend to our direct sole shareholder, Sofima PIK, in order for Sofima PIK to provide funds to its sole direct shareholder SOFIMA to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs; (ii) to finance or refinance, as applicable, certain indebtedness and costs incurred in

	connection with our M&A activity in 2024; and (iii) to pay the fees and expenses relating to the Offering. See "*Use of Proceeds*".
Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof as of the Issue Date.
Listing Agent	Matheson LLP.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Transfer Agent and Registrar	The Bank of New York Mellon SA/NV, Dublin Branch.
Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Security Agent	Kroll Trustee Services Limited.
Governing Law of the Notes and the Indenture	New York.
Governing Law of the Intercreditor Agreement	English.
Governing Law of the Security Documents	Italian.
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all of the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information as of and for the years ended December 31, 2021, 2022 and 2023 was derived from the Consolidated Financial Statements. The Consolidated Financial Statements were prepared in accordance with IFRS and were audited by EY S.p.A.

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

Summary Consolidated Income Statement Information of the Issuer

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Revenue from contracts with customers	**1,688.3**	**1,990.3**	**2,305.8**
Other Revenue	**12.8**	**15.4**	**22.6**
Operating Costs			
Change in work in progress, semifinished and finished goods	(8.8)	15.69	4.4
Change in inventory of raw, ancillary and consumable materials	11.1	26.5	3.5
Cost of raw, ancillary and consumable materials and goods for resale	(632.1)	(804.3)	(910.6)
Services, rentals and leases	(329.0)	(381.8)	(458.2)
Personnel costs	(463.8)	(542.0)	(576.9)
Capitalized costs	39.0	37.6	50.2
Depreciation, amortization and write-downs	(145.3)	(164.0)	(177.6)
Provisions for risks and charges	(5.8)	3.1	(7.4)
Other operating costs	(12.7)	(12.6)	(13.7)
Total Operating Costs	**(1,547.2)**	**(1,821.8)**	**(2,086.2)**
Operating Profit	**153.9**	**183.9**	**242.1**
Financial Income and Expense			
Financial income	35.3	71.0	33.2
Financial expense	(124.2)	(123.9)	(135.3)
Total Financial Income and Expense	(88.8)	**(52.8)**	**(102.0)**
Profit (Loss) from Investments accounted for using the Equity Method	0.4	(0.8)	0.7
Profit before Taxes	**65.5**	**130.3**	**140.8**
Taxes	**(9.4)**	**(22.3)**	**(44.5)**
Profit for the Year	**56.1**	**108.0**	**96.2**
Attributable to:			
Equity Holders of the Parent	55.9	**106.6**	**96.0**
Non-controlling Interests	0.2	**1.3**	**0.3**
Basic and diluted earnings per share (€)	**1.30**	**2.47**	**2.23**

Revenue by Geographical Area

The following table reflects our Revenue from contracts with customers broken down by geographical area for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
European Union (excluding Italy)	482.7	536.8	701.7
Other European countries	210.1	243.6	201.7
North America	347.8	446.3	492.2
Asia and Middle East	273.9	328.0	392.0
Other countries	148.6	163.9	236.1
Total exports	**1,463.1**	**1,718.7**	**2,023.8**
Italy	225.2	271.7	282.0
Total	**1.688.3**	**1,990.3**	**2,305.8**

Revenue by Business Segment

The following table shows Revenue from contracts with customers broken down by business segments for the years ended December 31, 2021, 2022 and 2023.

	For the years ended December 31,		
	2021	2022	2023
		(€ millions)	
Pharmaceutical	811.0	885.6	990.7
Consumer	660.6	820.7	922.9
Automation	216.7	284.0	392.3

	For the years ended December 31,		
	2021	2022	2023
		(€ millions)	
Total	**1,688.3**	**1,990.3**	**2,305.8**

Consolidated Statement of Financial Position of the Issuer

	As of December 31,		
	2021	2022	2023
Non-current assets			
Property, plant and equipment	141.5	165.8	171.5
Right of use assets	255.6	265.1	264.2
Intangible assets	3,461.5	3,543.3	3,542.8
Investments accounted for using the equity method	30.6	24.7	25.1
Financial assets	41.1	7.2	11.2
Receivables from others	5.7	4.7	4.9
Derivative financial instruments	-	4.1	2.8
Deferred tax assets	62.7	71.5	75.3
Total non-current assets	**3,998.7**	**4,086.6**	**4,097.8**
Current assets			
Inventories	368.9	441.8	453.0
Trade and other receivables	257.3	366.9	473.5
Contract assets	246.8	385.1	501.4
Income tax receivables	21.3	7.1	5.9
Financial assets	15.9	7.7	7.6
Derivative financial instruments	0.2	0.9	0.5
Cash and cash equivalents	231.7	204.7	202.0
Total current assets	**1,142.2**	**1,414.2**	**1,644.0**
Total assets	**5,141.0**	**5,500.7**	**5,741.8**
Equity			
Share capital	22.5	22.5	22.5
Reserves and retained earnings	1,972.5	2,044.6	2,138.3
Profit for the year	55.9	106.6	96.0
Equity attributable to equity holders of the parent	**2,050.9**	**2,173.7**	**2,256.8**
Non-controlling interest	17.9	17.1	15.6
Total equity	**2,068.8**	**2,190.8**	**2,272.3**
Non-current liabilities			
Borrowings	1,469.1	1,482.1	1,494.5
Lease liabilities	172.5	178.5	173.9
Employee defined benefit liabilities	36.6	45.9	44.9
Provisions for risks and charges	4.2	5.2	5.0
Other payables	67.0	82.3	44.6
Derivative financial instruments	1.7	-	-
Deferred tax liabilities	361.4	365.1	359.1
Total non-current liabilities	**2,112.6**	**2,159.1**	**2,122.0**
Current liabilities			
Borrowings	62.7	112.7	177.9
Lease liabilities	25.5	28.1	31.4
Trade and other payables	613.1	668.8	819.7
Contract liabilities	206.7	266.8	227.5
Income tax liabilities	9.9	10.3	40.5
Provisions for risks and charges	40.6	43.3	49.5
Derivative financial instruments	1.0	0.7	0.9
Total current liabilities	**959.6**	**1,150.8**	**1,347.4**
Total liabilities	**3,072.2**	**3,309.9**	**3,469.4**
Total equity and liabilities	**5,141.0**	**5,500.7**	**5,741.8**

Summary Consolidated Statement of Cash Flows Information of the Issuer

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Cash flow provided by/(used in) operating activities (A)	287.6	172.7	184.6
Cash flow used in investing activities (B)	(105.8)	(156.4)	(127.4)
Cash flow provided by/ (used in) financing activities (C)	(836.8)	(43.4)	(59.8)
Net change in cash and cash equivalents (D = A+B+C)	**(655.0)**	**(27.0)**	(2.6)
Cash and cash equivalents at the beginning of the year (E)	**130.9**	**231.7**	**204.7**
Cash and cash equivalents at the end of the year (F = D+E)	**231.7**	**204.7**	**202.0**

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

Other Financial Information and Non-IFRS Measures of the Issuer

The following tables set forth non-IFRS measures and other performance indicators for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
	(€ millions, except for percentages)		
Industrial gross profit[(1)]	620.6	706.5	816.7
Industrial gross profit Margin[(2)]	37.2%	35.5%	35.4%
Gross profit [(3)]	602.7	687.5	793.1
Gross profit Margin [(4)]	35.7%	34.5%	34.4%
EBITA[(5)]	169.1	188.8	254.7
EBITA Margin[(6)]	10.0%	9.5%	11.0%
EBITDA[(7)]	297.6	347.3	418.5
EBITDA Margin[(8)]	17.6%	17.4%	18.1%
Adjusted EBITDA[(9)]	312.8	351.9	429.0
Adjusted EBITDA Margin[(10)]	18.5%	17.7%	18.6%
Cash flow generation[(11)]	193.2	232.3	305.6
Cash conversion rate[(12)]	61.8%	66.0%	71.2%
Order Intake[(13)]	1,830.5	2,210.6	2,318.1

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

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

(3) *Gross profit refers to the difference between Industrial gross profit and Commissions to commercial intermediaries. Gross profit represents a measure used by our management to monitor and evaluate our operating performance.*

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

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

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

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

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

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

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

(11) *Cash flow generation is calculated as Adjusted EBITDA net of Capex for the years ended December 31, 2021, 2022 and 2023.*

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

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

The following table sets forth the Industrial gross profit and the Industrial gross profit Margin, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
	(€ millions)		
Revenue from contracts with customers	1,688.3	1,990.3	2,305.8
Cost of sales	(1,067.7)	(1,283.8)	(1.489.1)
Industrial gross profit[(1)]	**620.6**	**706.5**	**816.7**
Industrial gross profit Margin[(2)]	**37.2%**	**35.5%**	**35.4%**

The following table sets forth the Gross profit and the Gross profit Margin, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
	(€ millions)		
Industrial gross profit[(1)]	620.6	706.5	816.7
Commissions to commercial intermediaries	17.9	19.0	23.6
Gross profit[(3)]	**602.7**	**687.5**	**793.1**
Gross profit Margin[(4)]	**35.7%**	**34.5%**	**34.4%**

The following table reconciles the Net profit for the year with the Operating Profit (EBIT) and the Operating profit before writedowns/ impairment / non-recurring items (EBITA), for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Net profit for the year	**56.1**	**108.0**	**96.2**
Taxes	9.4	22.3	44.5
Profit (Loss) from Investments accounted for using the Equity Method	(0.4)	0.8	(0.7)
Net financial income (expense)	88.8	52.8	102.0
Operating profit (EBIT)	153.9	183.9	242.2
Writedowns/impairment	-	0.3	2.0
Non-recurring items[(a)]	15.2	4.6	10.5
EBITA[(5)]	**169.1**	**188.8**	**254.7**
EBITA Margin[(6)]	**10.0%**	**9.5%**	**11.0%**

(a) *Non-recurring items include mainly (i) in 2021, in connection with the tender offer and subsequent delisting of the Issuer; (ii) in 2022 and 2021, costs incurred as a result of the Covid-19 pandemic; and (iii) in 2023, provisions for risks and charges in connection with a dispute with a customer and certain consultancy costs and ancillary charges for the acquisitions of Phoenix Italia S.r.l. and Mespic S.r.l. For additional information on non-recurring items incurred in 2021, 2022 and 2023, see our Consolidated Financial Statements included elsewhere in this Offering Memorandum.*

The following table reconciles the Net profit for the year and EBITDA and Adjusted EBITDA, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
		(€ millions, except for percentages)	
Net profit for the year	**56.1**	**108.8**	**96.2**
Taxes	(9.4)	(22.3)	(44.5)
Profit (Loss) from Investments accounted for using the Equity Method	0.4	(0.8)	0.7
Net financial income (expense)	(88.8)	(52.8)	(102.1)
Depreciation and amortization and write downs	(143.6)	(163.3)	(176.2)
EBITDA[(7)]	**297.6**	**347.3**	**418.5**
EBITDA Margin[(8)]	**17.6%**	**17.4%**	**18.1%**
Non-recurring items	(15.2)	(4.6)	(10.5)
Adjusted EBITDA[(9)]	**312.8**	**351.9**	**429.0**
Adjusted EBITDA Margin[(10)]	**18.5%**	**17.7%**	**18.6%**

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

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Pharmaceutical	156.0	168.6	196.6
Consumer	114.0	138.1	155.9
Automation	27.0	40.6	66.0
Total	297.6	347.3	418.5

The following table shows our Adjusted EBITDA as divided by our Business Segments.

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Pharmaceutical	167.0	171.0	199.9
Consumer	117.9	139.6	161.9
Automation	27.6	40.6	67.2
Total	**312.5**	**351.9**	**429.0**

The following table sets forth the Cash flow generation and the Cash conversion rate, for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
		(€ millions, except percentages)	
Adjusted EBITDA[(9)] (A)	312.8	351.9	429.0
Capex (*) (B)	119.6	119.6	123.4
Cash flow generation[(11)] **(C = A - B)**	193.2	232.3	305.6
Cash conversion rate[(12)] **(C) / (A)**	61.8%	66.0%	71.2%

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

The following tables set forth non-IFRS measures and other performance indicators as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
		(€ millions)	
Net financial debt[14]	1,448.1	1,587.5	1,665.9
Net operating working capital[15]	195.4	357.2	540.9
Net working capital[16]	72.9	203.0	352.8

(14) Net financial debt has been calculated in accordance with ESMA Recommendation No. 319 of March 20, 2013, except for the inclusion of non-current financial assets and the exclusion of payables for acquisitions relating to the options agreed for the purchase of the minority interests in subsidiaries totalling €123.2 million as of December 31, 2021, €96.0 million as of December 31, 2022 and €106.8 million as of December 31, 2023.

(15) Net operating working capital is calculated as the sum of the trade receivables and inventories less trade payables.

(16) Net working capital is calculated as the sum of the trade receivables and inventories less trade payables and other net.

The following table sets forth the components of net financial debt as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
		(€ millions)	
A. Cash and cash equivalents	(231.7)	(204.7)	(202.0)
B. Current financial assets measured at amortized cost	(11.2)	(2.9)	(3.7)
C. Current financial assets measured at FVOCI	(4.7)	(4.7)	(3.9)
D. Liquidity (A)+(B)+(C)	**(247.6)**	**(212.3)**	**(209.6)**
E. Current payables to banks	50.5	99.3	162.3
F. Current portion of bonds	12.0	13.0	15.3
G. Current lease liabilities	25.5	28.1	31.4
H. Current payables to other lenders	0.2	0.3	0.3
I. Current financial debt (E) + (F)+(G)+(H)	**88.2**	**140.7**	**209.3**
J. Net current financial debt (D)+(I)	**(159.4)**	**(71.6)**	**(0.3)**
K. Non-current payables to banks	8.4	7.8	5.6
L. Non-current portion of bonds	1,244.6	1,250.9	1,257.6
M. Non-current lease liabilities	172.5	178.5	173.9
N. Non-current payables to other lenders	216.1	223.4	231.3
O. Non-current financial assets	(34.1)	(1.5)	(2.2)
P. Net non-current financial debt (K)+(L)+(M)+(N) + (O)	**1,607.5**	**1,659.1**	**1,666.2**
P. Net financial debt (J)+(O) [14]	**1,448.1**	**1,587.5**	**1,665.9**

(*) Non-current financial assets are calculated as Non-current financial assets net of Financial assets measured at FVOCI (fair value through other comprehensive income) and Financial assets measured at FVPL (fair value through profit or loss).

The following table sets forth the composition of net operating working capital and net working capital as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
		(€ millions)	
Trade receivables[a]	444.2	685.0	884.5
Inventories	368.9	441.8	453.0
Trade payables[b]	(617.7)	(769.6)	(796.6)
Net operating working capital[15]	**195.4**	**357.2**	**540.9**
Other net[c]	(122.5)	(154.2)	(188.1)
Net working capital[16]	**72.9**	**203.0**	**352.8**

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

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

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

Certain As Adjusted Financial Information

	As Adjusted[i]
	As of and for the year ended December 31, 2023
	(€ millions, except for ratios)
Cash and cash equivalents [1]	210
Total Gross Senior Secured Indebtedness [2]	1,748
Total Net Senior Secured Indebtedness [3]	1,538
Lease liabilities[4]	205
Other Debt[5]	142
Total Gross Indebtedness[6]	2,095
Total Net Indebtedness[7]	1,885
Total Gross Indebtedness Cash Interest Expense[8]	145.2
Adjusted EBITDA[9]	429
Ratio of Total Net Senior Secured Indebtedness to Adjusted EBITDA[3] [9]	3.6x
Ratio of Total Net Indebtedness to Adjusted EBITDA[7] [9]	4.4x
Ratio of Adjusted EBITDA to Total Gross Indebtedness Cash Interest Expense[8] [9]	3.0x

(i) The as adjusted financial data in this table gives effect to the Transactions as if they had occurred on December 31, 2023 (in the case of balance sheet data), or January 1, 2023 (in the case of income statement data). This as-Adjusted financial data has been presented for illustrative purposes only and does not purport to be what our financial data would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our financial data for any future period or our financial condition at any future date. See "*Presentation of Financial and Other Information—Adjustments*."

(1) Represents the sum of (i) current financial assets and (ii) cash and cash equivalents as adjusted for the proceeds of the Notes offered hereby, after the application thereof, including deduction of the estimated transaction fees and expenses. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the Transactions. See "*Use of Proceeds*".

(2) Represents (i) the principal amount of indebtedness outstanding under the Revolving Credit Facility, (ii) the amortized cost of indebtedness under the Existing Notes and (iii) the principal amount of the Notes offered hereby.

(3) Represents the Total Gross Senior Secured Indebtedness less Cash and cash equivalents.

(4) Represents amortized cost of lease liabilities.

(5) Represents amortized cost of other indebtedness, which is mainly represented by advances on export transactions (which are funded mainly through the Guarantee Facility) and applied research and technological innovation loans.

(6) Represents the sum of (i) Total Senior Secured Indebtedness; (ii) Lease Liabilities and (iii) Other debt.

(7) Represents the Total Gross Indebtedness less Cash and cash equivalents.

(8) Assumes that €25.0 million of the Revolving Credit Facility was utilized throughout the relevant period, as further described under "*Capitalization.*" This estimate reflects, *inter alia*, the issuance of the Notes issued at a price of 100% carrying an interest rate of three-month EURIBOR plus 3.75% per annum (assuming the three-month EURIBOR rate as of the date of this Offering Memorandum was in effect for the entire period). Total Gross Indebtedness Cash Interest Expense is calculated gross of the debt issuance costs in connection with the Transactions and does not include commitment fees on undrawn amounts under the Revolving Credit Facility. Total Gross Indebtedness Cash Interest Expense is 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.

(9) For a reconciliation of Adjusted EBITDA to EBITDA, see "*Other Financial Information and Non-IFRS Measures of the Issuer*"

RISK FACTORS

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

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

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

Risk Factors Related to our Business and Industry

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

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

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

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

Our products are highly dependent upon our technological know-how. As of December 31, 2023, we held over 3,000 patents and we continue to invest significantly in research and development activities. The process of seeking patent protection can be lengthy and expensive. In principle, we monitor and seek to protect to the fullest extent our ownership of inventions that result from our research and development department, but we may not always be successful in claiming and defending the ownership of our intellectual property.

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

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

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

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

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

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

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

Our results are impacted by the current volatile macroeconomic environment in the regions in which we operate and globally.

Global macroeconomic conditions have been subject to volatility in recent years due to a number of factors, including the outbreak of the conflict between Russia and Ukraine and, more recently, the reemerging of the hostilities in the Middle-East. The various economic and monetary stimulus measures put in place by the main world governments and major central banks, in combination with the discontinuity and imbalances created by the lockdown periods of 2020 and 2021 following the eruption of the COVID-19 pandemic, have led to an increase in inflation in the advanced economies as early as the end of 2021 and continued throughout 2023. Rising inflation changed the stance of major central banks, particularly in the United States and the European Union, and the rise in interest rates implemented by these players led to higher bond yields during 2022 and 2023. These elements, together with the geopolitical tensions linked to the conflict between Russia and Ukraine and, more recently, to the conflict in the Middle-East, drove to an increase in volatility in the stock and bond markets and, more generally, contributed to increased volatility and diminished expectations for the global economy. See also "*—Rising geopolitical risks, including the ongoing conflict between Russia and Ukraine and the reemerging of the tensions in the Middle-East, could have an impact on our business and results of operations*" and "*A regional or global health pandemic could our business, results of operations and financial position.*" In addition, China's property market currently faces headwinds which may lead to a widespread crisis of the entire real estate and financial sectors, with systemic implications which are currently difficult to predict. In an economic downturn, our customers may fail, purchase fewer of our products, change the mix of products they purchase from us, or choose to purchase some or all of their products from one or our competitors.

Lastly, there can be no assurances that economic conditions will improve in the markets in which we operate or that the net effect of any change in economic conditions will be positive. An improvement in the economic conditions in the markets in which we operate could impact our business and performance in various ways, including increasing competition for the provision of the types of products that we produce. There can be no assurances that an improved economic environment will also result in positive developments in our business and results of operations. Accordingly, any of the above developments could have a material adverse effect on our business, results of operations and financial condition.

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

Our competitive positioning depends on the continuous investment in research and development and improvement of our technical know-how. In the years ended December 31, 2021, 2022 and 2023, we incurred research and development expenses of €90.1 million, €102.9 million, and €122.3 million, respectively. Future results of operations depend, to a significant extent, on our ability to incorporate this research and development into the products and services we offer. If we are unable to achieve the anticipated benefits of such research and development for any reason, including increased competition, technology becoming obsolete or lack of acceptance of new products in our target markets, it could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

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

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

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

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

Rising geopolitical risks, including the ongoing conflict between Russia and Ukraine and the reemerging of the tensions in the Middle-East, could have an impact on our business and results of operations.

In February 2022, a military conflict erupted between Russia and Ukraine. As a result of the conflict, countries and international organizations, such as the United States, the European Union, the United Kingdom, Switzerland, Canada, Japan and Australia, have announced and implemented a variety of sanctions against Russia, such as the designation of a number of persons and entities, including major Russian banks, in "blocked person" lists, the removal of certain Russian banks from the SWIFT system that facilitates the transfer of money between banks, a prohibition on providing certain types of financing and financial services to certain companies or banks that are under public control or publicly owned, a prohibition on transactions with certain Russian counterparties, and the imposition of restrictions on the export to Russia of certain goods and technologies. At the same time, Russia has adopted a number of special countermeasures in connection with actions by a number of countries and international organizations that have imposed sanctions on Russian individuals and Russian counterparties.

Additionally, in October 2023, an escalation of the tensions in the Middle-East occurred after the Hamas terrorist organization launched an assault on Israel. As of the date of this Offering Memorandum, the conflict is still ongoing and the length, outcome and consequences of such military conflict remain unpredictable.

We are unable to predict the short- or long-term implications of these conflicts, which could include but are not limited to, further sanctions, uncertainty about economic and political stability, increases in inflation rates and energy prices, supply chain challenges and adverse effects on currency exchange rates and financial markets, as well as an increase in cyberattacks and espionage.

We own three trading subsidiaries in Russia and one trading subsidiary in Israel which carry out limited activities. In addition, our business in Russia, Ukraine and Israel represented approximately 1.7% of our revenues and 1.6% of our Backlog in 2023. We do not have any production facilities in those countries.

Although we do have limited business activities or interests in the areas directly affected by these conflicts, the consequences of these geopolitical tensions may have an impact on debtors' disposable income, and, consequently, our ability to collect on our portfolios and pursuant to our servicing contracts. We have no way to predict the progress or outcome of the conflict in Ukraine or the tensions in the Middle-East or their impacts in Europe as these conflicts, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of military actions, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. To date, we have not experienced any material disruption as a result of these conflicts.

Furthermore, the economic side effects from these conflicts have and may continue to result in inflationary pressure in the months to come. There is a great deal of uncertainty as to how sustained these, and any further, price increases may be, including increases in energy costs. Rising inflation and interest rates have and could continue to put additional pressure on our business as they could, directly or indirectly, lead to a reduction in debtors' disposable income and, as a result, their ability to repay their debts. If debtors experience a reduced ability to pay their debts, we could face higher payment plan default rates and lower average payments, any of which could reduce our cash generation, and have a material and adverse effect on our business, financial condition and results of operations.

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

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

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

- political instability;

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

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

We may face disruptions in our supply chain.

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

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

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

In addition, geopolitical tension in the Middle East are adversely affecting global transportation logistics, which may lead to possible longer supply chain routes, delays on deliveries and limitation of sea containers availability driving freight tariffs increase and unpredictability on arrivals, particularly on lanes connecting Asia and Europe. See also "*– Rising geopolitical risks, including the ongoing conflict between Russia and Ukraine and the reemerging of the tensions in the Middle-East, could have an impact on our business and results of operations*."

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

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

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

We have recorded significant growth in recent years, with a compound annual growth rate of 9.6% in terms of revenue and 11.2% in terms of Adjusted EBITDA for the period from 2019 to 2023. Although we can attribute part our total revenue growth to organic growth, we have benefitted from several successful acquisitions that have allowed us to capture synergies and diversify and complete our portfolio of products and services and the regions in which we offer them.

In the future, we may face challenges in identifying suitable acquisition candidates that will similarly improve our business. Prospective acquisition candidates may not become available or we may not be able to complete an acquisition once negotiations have commenced. We may also fail to secure the financial resources, including through third party financing, to complete prospective acquisitions. See "*—We may not be able to realize anticipated operational efficiencies and cost savings in connection with past and future acquisitions and it may be difficult to manage and integrate a continually growing group*."

Additionally, we may face increased competition if our competitors decide to enter the niche markets in which we operate, which could reduce our competitive and technological advantage. We sometimes compete for acquisition and expansion opportunities with entities that have greater financial resources or are otherwise willing to pay more than we are and these entities may be able to outbid us for these acquisition targets. See "*—We face existing and potential competition and may not be able to maintain or expand our current market position.*"

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

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

Our exposure to exchange risk is primarily due to the geographic distribution of production and sales, which results in exports denominated in currencies different from those of production. In particular, we are primarily exposed to exchange risk for exports from the Euro area to regions that use the U.S. dollar. Although a majority of our activities are conducted in Euros, we have significant non-Euro denominated assets, liabilities, revenue and costs. For the year ended December 31, 2023, 13.7% of our trade receivables were in U.S. dollars and we had trade receivables in Swiss francs, Indian rupees, British pound sterling, Chinese renminbi, and other currencies. In recent years, these currencies have experienced considerable volatility against the Euro. To prepare our consolidated financial statements, we must translate our assets, liabilities, revenue and expenses into Euro at exchange rates in effect during or at the end of each reporting period, as applicable. Consequently, increases and decreases in the value of the Euro against these other currencies will affect the amounts attributed to these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in changes to our results of operations from period to period. Given our presence and increasing focus in non-Eurozone markets, this risk may increase over time.

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

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

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

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

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

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

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

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

The markets that we serve, including the food and beverage sector, are rapidly and constantly evolving because of, among other things, changes in consumer preferences, shifting consumer tastes and needs, changes in consumer lifestyles, and competitive product and pricing pressures in both emerging and developing markets. Changes in customer and consumer preferences, which vary region by region, including the relative demand for environmental sustainability, technological advancements, quality, variety, price point, and lifestyle promoted by our customers' product offerings, affect both the demand for new products and the volume of product sales therefrom. For example, consumer demand patterns are affected by an increasing sensitivity to environmental sustainability, including preferences against single-use disposable features, which may require us to make changes to our existing products. Furthermore, consumers may not necessarily have the same expectations and preferences across the markets where we currently operate, and adjustments for regional differences present additional challenges. Any significant changes in consumer preferences or any inability on the part of our customers to anticipate or react to such changes could result in reduced demand for our products. The risks associated with changes in the markets we serve have increased due to the Covid-19 pandemic, which has forced consumers to change their lifestyles.

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

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

Part of our strategy has been and will continue to be growing our business through acquisitions. We have made notable acquisitions since the 1970s, and, in the last decade, we have completed several notable acquisitions, including the acquisitions of GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Ilapak Group in 2014, Komax Group (Medtech) in 2016, Tissue Machinery Company in 2018, ATOP in 2019, IMA Dairy & Food Holding GmbH in 2022, and Phoenix Italia S.r.l. and Mespic S.r.l. in 2023. Once we complete an acquisition, we may seek to harness certain operational synergies and cost savings premised upon, among other things, economies of scale, rationalization of headquarters functions, consolidation of manufacturing sites and rationalization of supply chains. However, we may not be able to realize any of the foregoing synergies either in the amount or within the timeframe that we may anticipate, and the costs of achieving any such synergies may be higher than what we expect. Our ability to realize such operational efficiency and cost saving measures may be affected by a number of factors, including increases in expenses related to the relevant acquisition(s), which may offset the cost savings therefrom. Moreover, successful integration and the realization of synergies require, among other things, proper coordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training as well as the ability to adapt information and computer systems.

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

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

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

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

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

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

As a consequence of our acquisition strategy, we regularly recognize significant amounts of intangible assets and goodwill on our balance sheet. As of December 31, 2023, we had intangible assets of €3,542.8 million, including goodwill of €2,221.1 million. Intangible assets are initially measured at purchase or production cost. Goodwill is the excess of the cost of a business combination over our share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life. Intangible assets other than goodwill, or with a finite useful life, are amortized on a straight-line basis over their useful life. At the end of each financial year, and every interim accounting period, where there is any indication that an intangible asset may be impaired, its recoverable amount is calculated pursuant to impairment tests. We recognize the difference between the carrying amount and the recoverable amount as impairment loss in the income statement. The amount of impairment losses that we are required to recognize in the future may be significant, particularly in the event of material acquisitions or products that perform below our expectations.

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

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

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

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

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

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

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

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

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

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

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

As of January 1, 2024, the Pillar 2 Directive became effective in Italy, as implemented by Decree No. 209. The Pillar 2 Directive and Decree No. 209 in very general terms provide that in the event the effective level of taxation of entities belonging to the same group and located in the same jurisdiction is lower than 15 percent, a supplementary tax ("top-up tax") shall be due up to the said minimum percentage. Although there is still uncertainty about the concrete application of the Pillar 2 Directive, our profitability could be impacted by such additional tax.

In addition, we often rely on generally available interpretations of local accounting rules, tax laws and regulations in the jurisdictions in which we operate and are required to exercise judgement when determining our worldwide provision for income taxes, interest and penalties, and accounting for tax-related matters. The tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses.

We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of several of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, limit our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans and/or internal deemed transfers. Any of these developments could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

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

We define Backlog as the total expected revenue from purchase orders that have been received and confirmed by customers with the assumption that each party of the agreement will fulfill its obligations under the purchase order or the contract. Our customers generally pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price. New Orders Intake represents the value of orders that are added to our Backlog during a given period and also includes cancellations of work or changes to existing contracts already in our Backlog, and thus helps to illustrate the annual turnover of our Backlog.

As of December 31, 2021, 2022 and 2023, we had a total Backlog of €1,110.5 million, €1,399.3 million, and €1,440.5 million, respectively. Over the past several years, we have experienced consistent rates of conversion of our Backlog into revenue. For the years ended December 31, 2020, 2021, and 2022, our Backlog as of the end of the year represented between 56% and 61% of the next year's revenue.

When we include the amount of expected revenue and income from a contract in our Backlog, we assume that each party will satisfy all of its respective obligations under such contract and payments to us under the contract will be made on a timely basis, consistent with the relevant payment conditions of each agreement. For contracts that are not for a lump sum, we estimate and update the related Backlog based on the estimated amount of work to be completed through periodic consultation with our customers. We do not include in our total Backlog figures relating to projects for which we have not received purchase orders from our customers. Our customers may have the right, upon payment of the percentage of work performed, based on sale price, to cancel, reduce or defer firm orders that we have in our Backlog. If our customers cancel, reduce or defer firm orders, our revenue and our results of operations would be adversely affected. Further, we cannot assure that we will secure contracts equivalent in scope and duration to replace such orders.

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

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

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

As part of our business we have entered into, and will continue to enter into, agreements with related parties. For information about our related party transactions and principal shareholders of the Issuer, see "*Related Party Transactions*" and "*Summary–Information about our Principal Shareholders.*" Our transactions with related parties carry the typical risks associated with transactions with parties that, being part of our decision-making structures or otherwise closely connected to them, may not be objective or impartial in their decisions relating to these transactions. If the objectivity and impartiality of the decisions related to such transactions were deemed to be compromised, this could (i) result in inefficiencies in the process of allocating resources; (ii) expose us to risks which have not been adequately measured or safeguarded against, including tax-related risks; and (iii) cause potential damage to our reputation.

We cannot ensure that, had our related party transactions been carried out between, or with, non-related parties, such non-related parties would have negotiated and entered into the relevant agreements, or concluded the transactions governed therein, under the same terms and conditions and in the same manner. Furthermore, the termination for any reason of one or more of the relationships with related parties may lead to difficulties in the short term, due to the need to replace such relationships, as well as the possibility of being unable to enter into substantially similar agreements under the same terms or at all with other (unrelated) parties, which could have a material adverse effect on our business, results of operations, financial condition or prospects.

The interests of our shareholders may be inconsistent with the interests of holders of the Notes.

We are a wholly owned subsidiary of Sofima PIK, in respect of which the Vacchi family retains voting control. The interests of our indirect shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Our indirect shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day to day operations, the payment of dividends, asset sales and other significant corporate transactions as well as the ability to elect and change our management and to approve any other changes to our operations. The interests of our indirect shareholders could conflict with your interests as holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our indirect shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of the Notes. See "*Principal Shareholders*".

A regional or global health pandemic have a material adverse effect on our business, results of operations and financial position.

Public health crises, epidemics or pandemics could materially and adversely affect our business. For example, the COVID-19 pandemic resulted in authorities, including those in all the countries in which we operate, implementing numerous measures to try to contain the virus, such as travel bans and restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces. Such measures had a material adverse impact on the global economy and on our results of operations. It is possible that another public health crisis, whether global or local to any of the areas in which we operate, could materially and adversely affect our business, results of operations or financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, implementing changes in laws may require us to incur special or additional expenses. In particular, costs to comply with any changes to current regulatory provisions, both initially and on an ongoing basis, may be especially high, and such changes may take a substantial amount of time to implement. In this respect, we have certain sales into Iran and Syria, which are undertaken in compliance with the applicable rules and regulations, which, in 2023, have in each case accounted for less than 1.0% of total revenue. See also "*—Rising geopolitical risks, including the ongoing conflict between Russia and Ukraine and the reemerging of the tensions in the Middle-East, could have an impact on our business and results of operations.*"

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

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

While we are currently not involved in any material legal proceedings, from time to time we are involved in litigation including lawsuits pertaining to product liability, environmental law, competition law, and health and safety matters. We are also subject to other proceedings, such as regulatory and tax investigations and audits as well as inspections by tax and other regulatory authorities, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from procurement contracting. Any current or future legal proceeding, whether they are successful or not, could be costly, divert management's attention and result in reputational damage.

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

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

We present forward-looking industry and market information in this Offering Memorandum, which has been derived from internal company estimates, industry publications and third-party reports prepared on our behalf. We caution you that the development of the industry and markets in which we operate could differ materially from the estimates made in this Offering Memorandum. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in these "*Risk Factors*" and "*Forward-Looking Statements*." In addition, we have not presented all of the industry and market information from available industry publications and third-party reports, and some of this information may imply less favorable industry and market conditions in the future, than presented in this Offering Memorandum. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, none of the Issuer, the Guarantor, the Trustee, the Agents or any Initial Purchaser make any representation or warranty as to the accuracy or completeness of the forward-looking industry or market information included in this Offering Memorandum.

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

We may incur liabilities that are not covered by insurance.

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

The Golden Power Legislation is applicable to the Issuer.

The Issuer is subject to the Italian Golden Power Legislation, pursuant to which the Italian Golden Power Authority may, among others, prohibit or impose restrictions and undertakings on (i) the acquisition of shareholdings in companies having assets and relationships in sectors qualified as strategic (e.g., defense and national security, energy, transport, communications, healthcare, *etc.*), and (ii) resolutions, acts or transactions approved by companies holding assets and relationships in strategic sectors and resulting in a change in ownership, control or possession of such strategic assets or relationships, including the enforcement and, according to a prudential interpretation, the granting or extension of security interests over the shares or strategic assets, or in the intended use or purpose thereof.

In particular, acquisitions of controlling interests by individuals or legal entities belonging to the European Union (including Italian) and acquisitions of interests by individuals or legal entities not belonging to the European Union that entail the acquisition of, respectively, a controlling interests or an interest representing at least 10% of the voting rights or share capital (provided that the value of the investment is equal to at least €1 million) must be reported to the Italian Golden Power Authority for the possible exercise of the veto right or the application of restrictions or undertakings; acquisitions that exceed 15%, 20%, 25% and 50% thresholds are also subject to the reporting obligation. Acquisitions of controlling interests by individuals or legal entities belonging to the European Union (including Italian) are subject to the Italian Golden Power Legislation only if related to companies holding assets in and relationships with the defense and national security, communications, energy, transport, healthcare, agri-food and financial sectors. In the defense and national security sector, the relevant threshold is more than 3% for both European Union and non-European Union investors (it does not apply only to Italian public authorities or entities controlled by such public authorities). Resolutions, acts or transactions approved by a company holding assets and relationships in strategic sectors that give rise to changes in the ownership, control or possession of such assets, including the enforcement and, according to a prudential interpretation, the granting or extension of security interests over the shares or strategic assets, or in the intended use or purpose thereof, must also be reported within ten days, and in any case prior to their implementation, to the Italian Golden Power Authority.

As a result, our ability to pursue commercial or industrial strategic resolutions, acts or transactions that involve, *inter alia*, the acquisition of, or the subscription for, our shares (or an amendment to our shareholders' structure) is subject to the exercise by the Italian Golden Power Authority of its powers under the Italian Golden Power Legislation. On a more general note, if any of the Issuer's group companies is involved in any transaction, act or resolution falling in the scope of the Italian Golden Power Legislation, the Italian Golden Power Authority may veto or impose restrictions or undertakings to consent to the implementation of such transaction, act or resolution. Accordingly, we may not be permitted to undertake such transaction, act or resolution in a timely fashion, without undertakings, or at all.

Failure to comply with the reporting obligation provided under the Italian Golden Power Legislation or with any veto, restriction or undertakings imposed by the Italian Golden Power Authority may result in the relevant transaction, act or resolution being unwound or declared null and void, and in material monetary fines imposed by the Italian Golden Power Authority.

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

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

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

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

Risks Related to the Issuer's Financing Arrangements

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

The Issuer is highly leveraged and will have significant debt service obligations. As of December 31, 2023, after giving *pro forma* effect to the Transactions, the Issuer's consolidated total debt would have been €2,095 million, of which €450 million is represented by the principal amount of the Notes offered hereby, €1,273 million is represented by the Existing Notes (valued at amortized cost) and €25 million is represented by the principal amount of indebtedness outstanding under the Revolving Credit Facility. As of the same date, after giving *pro forma* effect to the Transactions, the Issuer would have had €150 million available for borrowing under the Revolving Credit Facility and €141.5 million available under the Guarantee Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". We anticipate that the Issuer's high leverage will continue for the foreseeable future and could have material consequences for the holders of the Notes, including:

- making it more difficult for the Issuer to satisfy its debt obligations, including under the Notes;
- increasing the Issuer's vulnerability and reducing its flexibility to respond to a downturn in its business or economic and industry conditions;

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

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

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

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

Subject to restrictions in the Indenture and restrictions in the Existing Notes Indenture, the Revolving Credit Facility Agreement and the Guarantee Facility, the Issuer may incur additional indebtedness, which could increase the risks associated with the Issuer's already substantial indebtedness. The Issuer has the ability to borrow up to €175.0 million under the Revolving Credit Facility (of which, as of December 31, 2023, the Issuer had utilized €25.0 million), under which the borrowings and indebtedness are secured and to incur up to €250.0 million under the Guarantee Facility (of which, as of December 31, 2023, the Issuer had utilized €108.5 million), which will be secured. The terms of the Indenture will permit the Issuer to incur additional debt to which the Notes may be structurally subordinated.

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

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

Restrictive covenants under the Existing Notes Indenture, the Revolving Credit Facility Agreement, the Guarantee Facility and the Indenture will impose significant operating and financial restrictions on the Issuer.

The Issuer's failure to comply with these covenants, including as a result of events beyond its control, could result in an event of default that could materially and adversely affect the Issuer's financial condition and results of operations.

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

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

See "*Description of Certain Financing Arrangements*."

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

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

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

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

Notes, on or before maturity, obtain additional financing, delay planned capital expenditures or investments, or sell material assets.

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

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

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

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

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

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

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

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

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

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

On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced.

On the Issue Date, the Notes may not be secured by any collateral. On March 20, 2024, Sofima PIK, our direct sole shareholder, submitted an application with the Italian Golden Power Authority pursuant to the Golden Power Legislation to grant a first-ranking pledge over the shares that Sofima PIK holds in the Issuer to secure the Notes and the Revolving Credit Facility Upsize. Unless the Italian Golden Power Authority specifically opposes the grant of the Post-Clearance Share Pledge in its response to our application to receive Italian Golden Power Clearance, the Notes will be secured, subject to the Agreed Security Principles, as soon as reasonably practicable and in any event, by the later of (i) the Issue Date and (ii) the 10th Business Day following receipt of the Italian Golden Power Clearance, by the Post-Clearance Share Pledge. Obtaining the Italian Golden Power Clearance pursuant to the Golden Power Legislation is subject to inherent uncertainties and there is no assurance that it will be obtained.

If the Italian Golden Power Clearance is not provided, the Notes will not be secured by any collateral, including the Post-Clearance Share Pledge. As a result, the holders of the Notes will have only an unsecured claim against our assets. Any such claim will rank equally in right of payment with all of the Issuer's other unsecured unsubordinated indebtedness and other obligations, including trade payables. Our inability to provide the Post-Clearance Share Pledge (or any other Notes Collateral subject to the Italian Golden Power Clearance) due to the Italian Golden Power Clearance not being granted will not result in an "event of default" under the Existing Notes Indenture, the Indenture or the Revolving Credit Facility Agreement and will not require the Issuer or any other party to redeem or repurchase the Notes.

The enforcement and, according to a prudential interpretation, the granting or the extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.

It is uncertain whether the Italian Golden Power Legislation applies to transactions involving debt securities and the granting or extension of the relevant collateral. If the Italian Golden Power Clearance is granted, the Notes will be secured by the Post-Clearance Share Pledge. Any future enforcement of such Post-Clearance Share Pledge (including, without limitation, the exercise of voting rights by the secured creditors on the terms of the relevant Security Document) may also require clearance under the Italian Golden Power Legislation. Moreover, the Italian Golden Power Legislation will continue to be applicable to the Group. Therefore, if any of the companies forming part of the Group is involved in any transaction, act or resolution falling within the scope of the Italian Golden Power Legislation, the Italian Golden Power Authority may veto or impose conditions in order to consent to the implementation of such transaction, act or resolution, which may, in each case, be material. Accordingly, we may not be permitted to undertake such transaction, act or resolution in a timely fashion, without remedies or undertakings, or at all.

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

The Issuer is dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make payments on the Notes. Issuer will have a right to receive only such proportion of dividends declared equal to its shareholdings. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable the Issuer to meet its payment obligations under the Notes. In addition, our subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under applicable law and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of our subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

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

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

Our subsidiaries that do not guarantee the Notes will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As of December 31, 2023, after giving *pro forma* effect to the Transactions, the consolidated subsidiaries of the Issuer that are not Guarantor would not have had any long term financial indebtedness outstanding other than certain finance lease liabilities. Our subsidiaries that will not guarantee the Notes represented 43.1%, 34.3% and 23.2% of our aggregated total revenues, EBITDA and total assets (excluding consolidation adjustments), respectively, for the year ended December 31, 2023.

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

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

The Issuer and the Guarantor are not liable to pay any Additional Amounts to holders of the Notes in certain circumstances, including (a) in respect of any withholding tax or other similar measure in effect in certain Member States in accordance with international agreements entered into between the Member State and a non-EU country or territory (such as FATCA agreements); (b) if any withholding or deduction is required pursuant to Decree No. 239/1996 or pursuant to Decree No. 461/1997 (except where the procedures required under

Decree No. 239/1996 or under Decree No. 461/1997 in order to benefit from an exemption have not been complied with due solely to the actions or omissions by the Issuer or its agents); and/or (c) if any withholding is required pursuant to section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto. In those circumstances, investors will receive the proceeds of their investment in the Notes net of applicable withholding or deductions.

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

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

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

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

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

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

Italian Tax changes may affect the tax treatment of the Notes

Law No. 111 of 9 August 2023, published in the Official Gazette No. 189 of 14 August 2023 (**"Law 111"**), delegated power to the Italian Government to enact, within twenty-four months from its publication, one or more legislative decrees implementing the reform of the Italian tax system (the **"Italian Tax Reform"**).

According to Law 111, the Italian Tax Reform could significantly change the taxation of financial incomes and capital gains and introduce various amendments in the Italian tax system at different levels. The precise nature, extent and impact of these amendments cannot be quantified or foreseen with certainty at this stage.

The information provided in this Offering Memorandum may not reflect the future tax landscape accurately.

Investors should be aware that the amendments that may be introduced to the tax regime of financial incomes and capital gains could increase the taxation on interest, similar income and/or capital gains accrued or realized under the Notes and could result in a lower return of their investment.

Prospective investors should consult their own tax advisors regarding the tax consequences of the Italian Tax Reform.

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

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

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

The Notes Collateral will secure the Issuer's obligations under the Existing Notes, the Notes, the Revolving Credit Facility, the Guarantee Facility and certain hedge agreements. The Notes Collateral may also secure additional debt to the extent permitted by the terms of the Existing Notes Indenture, the Indenture, the Revolving Credit Facility, the Guarantee Facility and the Intercreditor Agreement.

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

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

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

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

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

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

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

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

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

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

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

The Guarantee and the Notes Collateral may be subject to claims or could be limited or subordinated in favor of the relevant Guarantor's or relevant Notes Collateral grantor's existing and future creditors under applicable laws. In addition, enforcement of each Guarantee will be limited to the extent of the amount which can be guaranteed by a particular Guarantor without rendering the guarantee voidable or otherwise ineffective under, or contrary to, applicable law. The enforcement of the Notes Collateral will be limited to the extent of the amount which can be secured by a particular security grantor without rendering the security interest voidable or otherwise ineffective under, or contrary to, applicable law and to avoid certain significant costs associated with taking certain security interests. Enforcement of any of the Guarantee or the Notes Collateral against any Guarantor and any grantor of Notes Collateral will also be subject to certain defenses available to guarantors and grantors of security interests generally. These laws and defenses include, primarily with respect to

Guarantor, those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer and the Guarantor 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 unless Italian courts have ruled for their 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 the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, and to the extent that the security interests in the Notes Collateral created under 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 "*Limitations on Validity and Enforceability of the Guarantee and the Notes Collateral and Certain Insolvency Considerations*."

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

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

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

Pursuant to the Intercreditor Agreement, one or more common security agents will serve as the Security Agent for the secured parties under the Indenture, the Existing Notes Indenture, the Revolving Credit Facility, the

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

Subject to certain exceptions described below and in further detail in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*," among other things, the "majority senior secured creditors" (generally, creditors representing the simple majority of, among other things, the outstanding principal amount under the Notes and any *pari passu* secured indebtedness) will constitute an instructing group and will have the right to instruct the Security Agent as to the enforcement of the Collateral, provided that such instructions are consistent with the "enforcement principles" set forth in the Intercreditor Agreement. If, however:

- the majority senior secured creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the initial enforcement notice or the Super Senior Discharge (as defined in the Intercreditor Agreement) has not occurred within six months of the initial enforcement notice, the Majority Super Senior Creditors (as defined in the Intercreditor Agreement) shall have the right to provide instructions, until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred; or

- if an Insolvency Event (as defined in the Intercreditor Agreement) is continuing, the Super Senior Creditors shall have the right to provide instructions, until the Super Senior Discharge Date (as defined in the Intercreditor Agreement) has occurred; or

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

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

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

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

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

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

- in connection with any sale or other disposition of charged property to (a) any person that is not the Issuer or a restricted subsidiary (but excluding any transaction subject to "*Description of the Notes—Certain Covenants—Merger and Consolidation* "), if such sale or other disposition does not violate the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited under the Indenture or (b) any Restricted subsidiary; *provided* that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or obligations under any structural intercompany receivables to a restricted subsidiary (except, in the case of accounts receivable, to a securitization subsidiary) unless the relevant property and assets (to the extent already secured in favor of the Notes) remain subject to, or otherwise become subject to a lien, or substantially equivalent liens are granted, in favor of the Notes following such transfer, sale or disposal;

- in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

- as described under "*Description of the Notes—Amendments and Waivers*";

- upon payment in full of principal, interest and all other obligations in respect of the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";

- if the Issuer designates any restricted subsidiary to be an Unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such Unrestricted subsidiary;

- upon the contribution of any claim of the Issuer or any Restricted subsidiary, which is subject to a lien in favor of the Notes, to the equity of the Issuer or any of the restricted subsidiaries to the extent such equity is, or will promptly following release of the security interest be, subject to a lien in favor of the Notes; *provided* that such contribution is not prohibited by the Intercreditor Agreement;

- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "*Description of the Notes—IPO Debt Pushdown*";

- upon the occurrence of a covenant suspension event or by written notice from the Issuer to the Trustee upon the Notes achieving an investment grade status; *provided* that if a reversion date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum, the Issuer will use its commercially reasonable efforts for a lien of substantially equivalent value to such lien that was released in reliance on this clause to be re-taken to the extent that the Group continues to own such assets that had constituted charged property on such date;

- in connection with (i) a transaction not prohibited by the Indenture pursuant to which such security provider is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist), (ii) a transaction permitted by the covenant as described under the caption "*Description of the Notes—Certain Covenants—Merger and Consolidation*," or (iii) a permitted reorganization; or

- as would not be prohibited under "*Description of the Notes—Certain Covenants—Impairment of Security Interest*" or otherwise would be permitted in accordance with the Indenture.

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

- for consideration of which all or substantially all of which is in the form of cash; and

- pursuant to a public auction, or if a fairness opinion has been obtained from an internationally recognized investment bank

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

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

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

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

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

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

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

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

Enforcement of the Notes Collateral across multiple jurisdictions may be difficult.

The Notes Collateral may be governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Notes Collateral may therefore be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. In addition, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the collateral and to realize any recovery under the Notes and the Notes Collateral.

More specifically, 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 will 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 enforcement of the security interests subject to the Italian Golden Power Legislation would require clearance by the Italian Golden Power Authority, pursuant to the Italian Golden Power Legislation. See "*–The enforcement and, according to a prudential interpretation, the granting or extension of the Post-Clearance Share Pledge will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation*".

A summary description of certain aspects of the insolvency laws of certain jurisdictions where the providers of Collateral are organized or have their centre of main activities is set out in "*Limitations on Validity and Enforceability of the Guarantee and the Notes Collateral and Certain Insolvency Law Considerations*."

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

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

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

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

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

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

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

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

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

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

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

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

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

The Issuer cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's own financial condition, performance and prospects, as well as recommendations by securities analysts.

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

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

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

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

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

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

Under Article 163 of the Italian Insolvency Code, 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 164 of the Italian Insolvency Code, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

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

Subsidiaries that will not guarantee the Notes accounted for 34.3% of our EBITDA for the year ended December 31, 2023 (excluding consolidation adjustments). However, we do not present separate financial statements for each subsidiary guarantor and, as a result, our consolidated financial information may be of limited use in assessing the financial position of the guarantor companies.

We have not presented in this Offering Memorandum separate financial statements for each subsidiary guarantor and we will not be required to do so in the future under the Indenture. Accordingly, our consolidated financial information may be of limited use in assessing the financial position of the guarantor companies. For the year ended December 31, 2023, the Issuer and the Guarantor generated 65.7% of our EBITDA, while our subsidiaries that will not guarantee the Notes generated 34.3% of our EBITDA in the same year (in each case, excluding consolidation adjustments).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total remuneration under the Notes will be automatically reduced if it exceeds the anti-usury cap levels set under Italian law.

Under Italian law, any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, to pay any portion of remuneration (including interest, default interest, fees, charges, expenses and other costs and any other form of compensation related to the Notes) in excess of the thresholds permitted under the Italian Usury Law may not be enforceable. Although the applicability of the Italian Usury Law to securities such as the Notes (and, among others, related original issue discounts and make-whole payments that may be due under the applicable indenture) remains untested, the Indenture will provide that, if the remuneration applicable to the Notes (including interest, default interest, fees, original issue discounts, premium, charges, expenses and other costs and any other form of compensation related to the Notes (the "Total Remuneration")) at any time exceeds the maximum remuneration permitted under applicable Italian law (including the Italian Usury Law), then the Total Remuneration will immediately and automatically be reduced to the maximum remuneration permissible under applicable Italian law (including the Italian Usury Law) for, and limited to, the period during which it is not possible to apply the remuneration as originally provided. This will result in a change of the economic terms of the Notes which, in turn, may adversely impact the rights of the holders of the Notes and may have a material adverse effect on the market value of the Notes.

Upon an IPO pushdown, the Issuer of the Notes may change, and holders of the Notes may be subject to adverse tax consequences.

In the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of the Notes—IPO Debt Pushdown*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions following an IPO*," such change in the Issuer could result in a deemed exchange of the Notes for "new" Notes for U.S. federal income tax purposes. In such event, 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 the "new" Notes for U.S. federal income tax purposes. In addition, if the fair market value of the "new" Notes at the time of the IPO pushdown is less than the principal amount of the Notes (by more than a statutorily defined de minimis amount), such "new" Notes may be treated as issued with original issue discount ("**OID**"), or a greater amount of OID, for U.S. federal income tax purposes. Please see "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

In the event that the Issuer changes as a result of the provisions described under "*Description of the Notes—IPO Debt Pushdown*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions following an IPO*," such change in the Issuer may have Italian tax consequences for Italian and non-Italian resident holders of the Notes as, among others and subject to certain exceptions, may trigger the realization of a taxable event.

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

The Notes may be issued with OID for U.S. federal income tax purposes. If the stated principal amount of the Notes exceeds their "issue price" (as defined under "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Consequences*") by an amount equal to or more than a statutorily defined de minimis amount, the Notes will be treated as issued with OID for U.S. federal income tax purposes. In such case, a U.S. Holder (as defined in "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*") would be required for U.S. federal income tax purposes to include any amounts representing OID in gross income (as ordinary income) as the OID accrues (on a constant yield to maturity basis) in advance of the receipt of cash payments to which such income is attributable regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. For further discussion, see "*Certain Taxation Considerations—Certain U.S. Federal Income Tax Considerations*."

USE OF PROCEEDS

The gross proceeds from the offering of the Notes will be used: (i) to (a) repay in full and cancel the Existing Shareholder's Loans and (b) pay a dividend to our direct sole shareholder, Sofima PIK, in order for Sofima PIK to provide funds to its sole direct shareholder SOFIMA to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs; (ii) to finance or refinance, as applicable, certain indebtedness incurred in connection with our M&A activity in 2024; and (iii) to pay the fees and expenses relating to the Offering.

The following table illustrates the estimated sources and uses of funds relating to the Offering, excluding capitalized debt issuance costs. Amounts included in the table below are based on estimated data as of the date of this Offering Memorandum. Actual amounts will vary from estimated amounts depending on several factors, including differences between estimated and actual fees, costs and expenses associated with the Transactions. See also "*Capitalization.*" Any changes in the estimated amounts below, may be funded through other sources available to be used for such purposes, including through drawings under the Revolving Credit Facility or other cash sources.

Sources of funds (in millions of Euros)		**Uses of funds (in millions of Euros)**	
Notes offered hereby[1]	450	Repayment of Existing Shareholder's Loan and payment of dividend[2]	408
		Financing/Refinancing of certain 2024 M&A indebtedness and costs[3]	37
		Fees and expenses relating to the Offering[4]	5
Total sources	450	**Total uses**	450

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

(2) Sofima PIK will provide the funds obtained through the repayment and cancellation of the Existing Shareholder's Loan and the payment of a dividend to SOFIMA, which will use such funds to repay and cancel the HoldCo PIK Facility. Assuming that the repayment of the Holdco PIK Facility occurs on April 19, 2024, the nominal amount of the HoldCo PIK Facility will be approximately €385 million, the interest accrued and unpaid will be approximately €16 million and the redemption premium will be approximately €8 million.

(3) Represents a portion of indebtedness and costs incurred in connection with our M&A activity in 2024 (which consists of (i) a consideration of €29 million for the acquisition of the remaining 25.1% stake of our subsidiary IMA Dairy & Food Holding GmbH that we completed in January 2024 and (ii) a consideration of approximately €16 million, subject to customary adjustments, for the acquisition of a 60% stake in OMAS Tecnosistemi S.p.A. that we expect to complete by the end of April 2024. See "*Summary – Recent Developments.*")

(4) Represents estimated transaction fees and expenses in connection with the Offering. These fees and expenses have been estimated as of the date of this Offering Memorandum and may differ from the actual amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the Transactions.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization of the Issuer, on a consolidated basis as of December 31, 2023 and as adjusted for the Offering and the use of proceeds therefrom. The historical consolidated financial information has been derived from our Consolidated Financial Statements, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. We have prepared the information presented in the "As adjusted" columns for illustrative purposes only. The adjusted information below is illustrative only and does not purport to be indicative of what our actual capitalization will be following the consummation of the Transactions.

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

	As of December 31, 2023	
	Actual	**As adjusted**
Cash And Cash Equivalents(1)	**210**	**210**
Super Senior Revolving Credit Facility(2)	25	25
Existing Notes(3)	1,273	1,273
Of which fixed rate notes (at amortized cost)	*830*	*830*
Of which floating rate notes (at amortized cost)	*443*	*443*
Notes offered hereby(4)	–	450
Lease liabilities(5)	205	205
Other Debt(6)	142	142
Total Gross Debt	**1,645**	**2,095**
Total Net Debt	**1,435**	**1,885**
Existing Shareholder's Loans (7)	231	–
Total Shareholders' Equity	2,272	2,095
Total Capitalization(8)	**4,148**	**4,190**

(1) Represents the sum of (i) current financial assets and (ii) cash and cash equivalents as adjusted for the proceeds of the Notes offered hereby, after the application thereof, including deduction of the estimated transaction fees and expenses. The actual amount of transaction fees and expenses may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the Transactions. See "*Use of Proceeds*".

(2) Represents principal amount of indebtedness outstanding under the Revolving Credit Facility. On or about the Issue Date, certain lenders will make available additional facilities under the Super Senior Revolving Credit Facilities Agreement in an aggregate principal amount of €25 million in accordance with the applicable provisions of the Super Senior Revolving Credit Facilities Agreement. As a result, the total commitments under the Super Senior Revolving Credit Facility will be equal to €175 million. For additional information on the Super Senior Revolving Credit Facility, see "*Description of Certain Financing Arrangements – Super Senior Revolving Credit Facilities Agreement*."

(3) Represents the amortized cost of indebtedness under the Existing Notes.

(4) Represents the principal amount of Notes offered hereby, excluding any capitalized debt issuance cost.

(5) Represents the amortized cost of lease liabilities.

(6) Represents the amortized cost of other indebtedness, which is mainly represented by advances on export transactions (which are funded mainly through the Guarantee Facility) and applied research and technological innovation loans.

(7) Represents amounts owed by the Issuer to Sofima PIK under the Existing Shareholder's Loans, which will be repaid in full and cancelled in the context of the Transactions.

(8) Capitalization is calculated as the sum of Total Gross Debt, Existing Shareholder's Loans and Total Shareholders' Equity.

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

The following is a discussion and analysis of our results of operations and financial condition as of and for the years ended December 31, 2021, 2022 and 2023 as derived from our Consolidated Financial Statements. The Consolidated Financial Statements are prepared in accordance with IFRS. The Issuer's Consolidated Financial Statements are included elsewhere in this Offering Memorandum. Unless indicated otherwise, when we refer to "we," "us," "our" or the "Group" for the purposes of this section, we are referring to the business of the Issuer and its subsidiaries.

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

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

Overview

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

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 54 manufacturing facilities and more than 7,000 employees, out of whom more than 88% have a high school diploma or university degree, in more than 16 countries, including Italy, the United States, China, Argentina, Germany and Switzerland. Our footprint spans 80 countries and we sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products thanks to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue through new machine orders and After-Sales products and services to existing customers.

For the year ended December 31, 2023, we generated revenue of €2,305.8 million, Adjusted EBITDA of €429.0 million (representing an Adjusted EBITDA Margin of 18.6%) and net profit of €96.3 million. We also have a strong pipeline of on-going projects, with a Backlog of €1,440.5 million, as of December 31, 2023.

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

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling, cartoning and bag-filling systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €990.6 million, or 43.0%, of our total revenue for the year ended December 31, 2023.

Consumer. We design, develop, assemble, and install coffee-processing plants, machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, cosmetics and other personal care products, home care products and tissue products. Our Consumer segment generated €922.9 million, or 40.0%, of our total revenue for the year ended December 31, 2023.

Automation. We design and develop technological solutions for the set-up of assembly and production lines of medical products and for the production of electric motors and in the automotive, e-mobility, electro-mechanics and watchmaking sectors, as well as medical devices and eye care. Our Automation segment generated €392.3 million, or 17.0%, of our total revenue for the year ended December 31, 2023.

We offer both Original Equipment and After-Sales products and services within each of our three segments. From 2021 to 2023, our After-Sales business has consistently represented more than 30% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, due to its higher profitability compared to our Original Equipment business, our After-Sales business has represented, on average, 48.5% of our total gross profit over the same period.

The table below sets forth breakdowns of our total revenue by segment and geographical area for the year ended December 31, 2023 and our Backlog as of December 31, 2023. Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Generally, our customers generally pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the year ended December 31, 2023**
	(€ millions)
European Union (excluding Italy)	701.7
Other European countries	201.7
North America	492.3
Asia and Middle East	392.0
Other countries	236.1
Total Exports	2,023.8
Italy	282.0
Total	**2,305.8**

Adjusted EBITDA by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	199.9
Consumer	161.9
Automation	67.2
Total	**429.0**

Revenue by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	990.7
Consumer	922.9
Automation	392.3
Total	**2,305.8**

Gross profit by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	428.3
After-Sales	364.8
Total	**793.1**

Revenue by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	1,553.9
After-Sales	751.9

Revenue by business category	For the year ended December 31, 2023
	(€ millions)
Total	**2,305.8**

Backlog by segment	As of December 31, 2023
	(€ millions)
Pharmaceutical	699.2
Consumer	403.1
Automation	338.2
Total	**1,440.5**

Key Factors That Have Affected Our Results of Operations

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

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

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

	For the year ended December 31,		
	2021	2022	2023
	(€ millions, except for percentages)		
Revenue from contracts with customers	1,688.3	1,990.3	2,305.8
EBITDA	297.6	347.3	418.5
EBITDA Margin	17.6%	17.4%	18.1%
Adjusted EBITDA	312.8	351.9	429.0
Adjusted EBITDA Margin	18.5%	17.7%	18.6%

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

Over the past three years, our revenue from contracts with customers increased, from €1,688.3 million in 2021 to €2,305.8 million in 2023. Our revenue growth over the past three years was driven primarily by an organic increase in volumes throughout the period, as evidenced by the increase in Backlog at the beginning of each year, sustained by a positive order intake during the period. Our revenue growth over the past three years benefited also from acquisitions; in particular, in 2022, we acquired control of IMA Dairy & Food Holding GmbH, which generated revenues of €129.8 million in 2022; in 2023, we acquired Phoenix Italia S.r.l. and Mespic S.r.l., which generated revenues of €16.6 million in 2023. Revenue from contracts with customers derived from our Pharmaceutical segment increased from €811.0 million in 2021 to €990.7 million in 2023, equal to a compound annual growth rate of 10.5%, over the three year period. Similarly, revenue from contracts with customers derived from our Consumer segment increased from €660.6 million in 2021 to €922.9 million in 2023, equal to a compound annual growth rate of 18.2%, over the three year period. Meanwhile, revenue from contracts with customers from our Automation segment increased from €216.7 million in 2021 to €392.3 million in 2023, equal to a compound annual growth rate of 34.5%, over the three year period.

	For the years ended December 31,		
	2021	2022	2023
		(€ millions)	
Pharmaceutical	811.0	885.6	990.7
Consumer	660.6	820.7	922.9
Automation	216.7	284.0	392.3
Total	**1,688.3**	**1,990.3**	**2,305.8**

	For the years ended December 31,		
	2021	2022	2023

Over the past three years, our EBITDA increased, from €297.6 million in 2021, €347.3 million in 2022 and €418.5 million in 2023. Over the past three years, our EBITDA Margin increased, from 17.6% in 2021, 17.4% in 2022 and 18.1% in 2023.

Over the past three years, our Adjusted EBITDA increased, from €312.8 million in 2021, to €351.9 million in 2022 and €429.0 million in 2023.

Over the past three years, our Adjusted EBITDA Margin increased, from 18.5% in 2021, 17.7% in 2022 and 18.6% in 2023.

The difference between Adjusted EBITDA and EBITDA is in the elimination of non-recurring items for €15.2 million in 2021, €4.6 million in 2022 and €10.5 million in 2023.

Growth supported by After-Sales

We generate revenue across our segments from both Original Equipment and After-Sales products and sales. Our After-Sales business is closely connected to our Original Equipment business, given that an increase in our installed base directly drives an increase in the demand for our After-Sales products and services. Our After-Sales business is characterized by higher margins, on average, with After-Sales representing approximately 32%, 31% and 32%, respectively of our revenue in 2021, 2022 and 2023 and, on average, approximately 48.5% of our gross profit. Accordingly, our After-Sales business represents an attractive growth opportunity and the high margins of our After-Sales business make it an important driver of our overall business.

The following table sets forth the breakdown of our revenue by business for the years ended December 31, 2021, 2022 and 2023:

	For the year ended December 31,		
	2021	2022	2023
		(*€ millions*)	
Original Equipment	1,155.8	1.373,2	1,553.9
After-Sales	532.5	617.1	751.9
Total	**1,688.3**	**1,990.3**	**2,305.8**

Strong visibility from Backlog

We believe our Backlog provides us with important visibility for our short- and medium-term financial results. The table below shows our Backlog as of December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
		(*€ million*)	
Pharmaceutical	625.0	705.9	699.2
Consumer	289.1	362.0	403.1
Automation	196.4	331.4	338.2
Total Order Backlog	**1,110.5**	**1,399.3**	**1,440.5**

The time taken to realize revenue from our Backlog may vary, our Backlog as of December 31, 2023 provided approximately nine months of forward revenue visibility. For the years ended December 31, 2021 and 2022, our Backlog as of the end of the year represented 55.8% and 60.7% of the next year's revenue (i.e., from 2021 to 2023). The visibility provided by our strong and consistent Backlog, which is generally supported by payments of up to 30% of the total invoice at intake, enables us to plan and execute our strategies with greater confidence as well as tailor our highly flexible cost base well in advance based on expected future production. For more information on Backlog, see: "*Business—Sales and Customers—Backlog and New Orders Intake*."

Geographic Diversification of Revenue from contracts with customers

	For the year ended December 31,		
	2021	2022	2023
		(*€ millions*)	
European Union (excluding Italy)	482.7	536.9	701.7
Other European countries	210.1	243.5	201.7
North America	347.8	446.4	492.3
Asia and Middle East	273.9	328.0	392.0
Other countries	148.6	163.9	236.1
Total exports	**1,463.1**	**1,718.7**	**2,023.8**
Italy	225.2	271.6	282.0
Total	**1,688.3**	**1,990.3**	**2,305.8**

Our business is diversified across many geographies and has become more diversified in recent years. Italy, our original market and the country in which our headquarters are located, is our largest market, but, in terms of revenue generation, it represented 12.2% of total revenue from contracts with customers in 2023.

We have experienced growth in all geographies over the past three years, except in European countries outside the European Union. Our revenues from contracts with customers as a percentage of our total business has grown principally in the European Union (excluding Italy), North America, Asia and Middle East, and Other countries. The percentage of our revenue coming from the European Union (excluding Italy) has increased from 28.6% in 2021 to 30.4% in 2023, the percentage of our revenue coming from North America has increased from 20.6% in 2021 to 21.4% in 2023, the percentage of our revenue coming from the Asia and Middle East region has increased from 16.2% in 2021 to 17.0% in 2023 and the percentage of our business in other countries (which includes Brazil, Mexico, Algeria, Morocco and Australia) increased from 8.8% in 2021 to 10.2% in 2023. Meanwhile, the percentage of our revenue from contracts with customers coming from Other European countries has decreased from 12.5% in 2021 to 8.8% in 2023, and the percentage of our revenue coming from Italy has decreased from 13.3% in 2021 to 12.2% in 2023. While increasing the diversity of our revenue from contracts with customers, overall, over the past three years, our revenue from contracts with customers have increased each year in each geographic region (excluding Other European countries) have increased. We believe there are additional opportunities to grow and geographically diversify our business by increasing our business in North America and in Asia and Middle East.

Strengthening Overall Performance through Strategic Acquisitions

We have successfully completed several strategic acquisitions since 2003. These acquisitions were made at attractive multiples that fueled historical growth with good sales synergies, supplementing strong organic growth. The acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. Our material acquisitions from the past three years include (i) the acquisition of 34.9% of IMA Dairy & Food Holding GmbH, a leader in the development, production, and selling of machines, lines, and systems for the packaging of food products, particularly for the dairy sector, in 2022, of which we already owned 40.0%; (ii) the acquisition of 60.0% of Phoenix Italia S.r.l., a company that develops, produces and sells labeling solutions for distributors, system integrators and machine manufacturers, covering various sectors, with particular attention to logistics, in 2023, with a put and call option for the remaining 40.% of the shares; and (iii) the acquisition of 70.0% of Mespic S.r.l., a company that develops, produces and sells customized machines, from conveyor belts to wrapping machines, from case packers to palletizers, and complete turnkey end-of-line systems, designed to serve a wide variety of applications, in 2023, with a put and call option for the remaining 30.0% of the shares; and (iv) the acquisition of an additional 17.5% of Tissue Machinery Company S.p.A., a company that develops, manufactures, and sells issue roll wrappers and bundlers, tissue napkin wrappers, and integrated systems for tissue products packaging, in 2023, making it a wholly-owned subsidiary. See "*Business—Our History*."

Deleveraging achieved through management of indebtedness and improved financial results

Since 2021, we have carefully managed our indebtedness and maintained a disciplined approach to M&A transactions while improving our financial results, with the overall result being a significant and steady deleveraging. Our net financial indebtedness has increased modestly from €1,448.1 million, to €1,587.5 million, to €1,665.9 million as of December 31, 2021, 2022, and 2023. At the same time, due to an increase in revenue from contracts with customers driven by higher backlog and order intake, our financial results have improved significantly such that our EBITDA has increased from €297.6 million, to €347.3 million, to €418.5 million for the years ended December 31, 2021, 2022, and 2023, respectively. The overall result is a significant and steady decrease in our ratio of net financial position to EBITDA from 4.40, to 4.08, to 3.52 as of and for the years ended December 31, 2021, 2022, and 2023, respectively, which represents a significant increase in our ability to meet our financial obligations. For further information about changes in net financial indebtedness and our financial results, see "*Summary Consolidated Financial Information*" and, for information related to the effect of the Offering on our indebtedness, see "*Capitalization*."

Explanation of Key Income Statement Items

Revenue from contracts with customers

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

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

Our main revenue streams are:

(i) machines and contracts in progress,

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

(iii) spare parts and other materials, and

(iv) technical assistance.

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

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

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

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

We generally receive up to 30% on the total invoice when the order is placed, and during the production there can be other contractual milestones (for example design review, drawings or main components presentation) in order to have received in total up to 80% when machine/line is ready for the test and customer is authorized at IMA's facility, and the remaining up to 20% when the machine/line is installed at the customer's site.

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

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

Services, rentals and leases

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

Personnel costs

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

Capitalized Costs

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

Depreciation, amortization and write-downs

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

Other operating costs

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

Net financial income and expense

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

Taxes

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

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

Hyperinflation accounting

As from July 1, 2018, the Argentine economy has been considered hyperinflationary based on the criteria established by “IAS 29 – Financial reporting in hyperinflationary economies.” This designation is determined following an assessment of a series of qualitative and quantitative circumstances.

As a result, our subsidiaries operating in Argentina have applied IAS 29 - Financial reporting in hyperinflationary economies.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

The following table sets forth certain items from our consolidated income statement for the year ended December 31, 2023 compared to the year ended December 31, 2022 and as a percentage of our total revenue.

Income Statement Data

	For the year ended December 31,					
	2023		2022		Change 2023/2022	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Revenue from contracts with customers……	**2,305.8**	**100%**	**1,990.3**	**100%**	**315.5**	**15.9**
Other revenue……………………………………..	**22.6**	**0.98**	**15.4**	**0.8**	**7.2**	**46.7**
Operating costs						
Change in work in progress, semifinished and finished goods…………………………………..	*4.4*	*0.2*	*15.6*	*0.8*	*(11.2)*	*(71.8)*
Change in inventory of raw, ancillary and consumable materials…………………………..	*3.5*	*0.2*	*26.5*	*1.3*	*(23.0)*	*(86.8)*
Cost of raw, ancillary and consumable materials and goods for resale………………………………..	*(910.6)*	*(39.5)*	*(804.3)*	*(40.4)*	*(106.3)*	*(13.2)*
Service, rentals and leases……………………….	*(458.2)*	*(19.9)*	*(381.8)*	*(19.1)*	*(76.4)*	*20.0*
Personnel costs…………………………………….	*(576.9)*	*(25.0)*	*(542.0)*	*(27.2)*	*(34.9)*	*6.4*
Capitalized costs…………………………………..	*50.2*	*2.2*	*37.6*	*1.9*	*12.6*	*33.5*
Depreciation, amortization and write-downs…….	*(177.6)*	*(7.7)*	*(164.0)*	*(8.2)*	*(13.6)*	*8.2*
Provisions for risks and charges………………….	*(7.4)*	*(0.3)*	*3.1*	*(0.2)*	*(4.3)*	*(338.7)*
Other operating costs………………………………	*(13.7)*	*(0.6)*	*(12.6)*	*(0.6)*	*(1.1)*	*8.7*
Total Operating costs…………………………….	**(2,086.2)**	**(90.5)**	**(1,821.8)**	**(91.6)**	**(264.4)**	**(14.5)**
Operating profit (EBIT)…………………………...	**242.1**	**10.5**	**183.9**	**(9.2)**	**58.2**	**31.7**
—of which: effect of non-recurring items………………………………………………	*(10.5)*	*(0.5)*	*(4.6)*	*(0.2)*	*(5.9)*	*128.3*
Financial Income……………………………………	*33.2*	*1.4*	*71.0*	*(3.6)*	*(37.8)*	*(53.2)*
Financial Expense…………………………………..	*(135.3)*	*(5.9)*	*(123.9)*	*(6.2)*	*(11.4)*	*9.2*
Net financial income and expense………………...	(102.0)	(4.4)	(52.8)	(2.6)	(49.2)	(93.1)
Profit (Loss) from investments accounted for using the equity method………………………………..	0.7	0.02	(0.8)	(0.04)	1.5	(187.5)
Profit before taxes…………………………………	**140.8**	**6.1**	**130.3**	**6.5**	**10.5**	**8.1**
Taxes ………………………………………………….	**(44.5)**	**(1.9)**	**(22.3)**	**(1.1)**	**(22.2)**	**(22.2)**
Profit for the year…………………………………..	**96.2**	**4.1**	**108.0**	**5.4**	**(11.8)**	**(10.9)**
Profit attributable to non-controlling interests…….	0.3	0.01	1.3	0.06	(1.0)	(76.9)
Profit attributable to equity holders of the parent …………………………………………………….	**96.0**	**4.1**	**106.6**	**5.3**	**(10.6)**	**(9.9)**
Basic and diluted earnings per share (€)……..	**2.23**		**2.47**			

Revenue from contracts with customers

Our revenue from contracts with customers amounted to €2.305,8 million for the year ended December 31, 2023, an increase of €315.5 million, or 15.9%, compared to €1.990,3 million for the year ended December 31, 2022, mainly due to the higher backlog at the beginning of the year and the positive order intake during the period.

The following table provides a breakdown of revenue from contracts with customers by our geographical areas for the years ended December 31, 2023 and 2022.

Revenue from contracts with customers by Segment and Geographical Area

	For the year ended December 31,					
	2023		2022		Change 2023/2022	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Pharmaceutical						
European Union (excluding Italy)	272.9	11.8	229.6	11.5	43.3	18.9
Other European countries	75.0	3.3	74.3	3.7	0.7	0.9
North America	206.4	9.0	200.0	10.0	6.4	3.2
Asia and Middle East	184.5	8.0	180.8	9.1	3.7	2.0
Italy	140.5	6.1	137.4	6.9	3.1	2.3
Other countries	111.3	4.8	63.4	3.2	47.9	75.5
Total	**990.7**	**43.0**	**885.6**	**44.5**	**105.1**	**11.9**
Consumer						
European Union (excluding Italy)	256.2	11.1	205.7	10.3	50.5	24.5
Other European countries	98.3	4.3	125.6	6.3	(27.3)	(21.7)
North America	179.8	7.8	181.8	9.1	(2.0)	(1.1)
Asia and Middle East	155.8	6.8	114.1	5.7	41.7	36.5
Italy	112.0	4.9	99.3	5.0	12.7	12.8
Other countries	120.6	5.2	94.2	4.7	26.4	28.0
Total	**922.9**	40.0	**820.7**	41.2	**102.1**	**12.4**
Automation						
European Union (excluding Italy)	172.6	7.5	101.6	5.1	71.0	69.9
Other European countries	28.5	1.2	43.7	2.2	(15.2)	(34.8)
North America	106.0	4.6	64.5	3.2	41.5	64.3
Asia and Middle East	51.6	2.2	33.0	1.6	18.6	56.3
Italy	29.4	1.3	34.9	1.8	(5.5)	(15.8)
Other countries	4.2	0.2	6.3	0.3	(2.1)	(33.3)
Total	**392.3**	**17.0**	**284.0**	**14.3**	**108.3**	**38.1**
All the Segments						
European Union (excluding Italy)	701.7	30.4	536.8	27.0	164.9	30.7
Other European countries	201.7	8.7	243.6	12.2	(41.9)	(17.2)
North America	492.2	21.3	446.3	22.4	45.9	10.28
Asia and Middle East	392.0	17.0	328.0	16.5	64.0	19.5
Italy	282.0	12.2	271.7	13.7	10.3	3.8
Other countries	236.1	10.2	163.9	8.2	72.2	44.0
Total	**2,305.8**	**100.0**	**1,990.3**	**100.0**	**315.5**	**15.8**

Pharmaceutical

Revenue from contracts with customers from our Pharmaceutical segment increased/ by €105.1 million, or 11.9%, from €885.6 million for the year ended December 31, 2022 to €990.6 million for the year ended December 31, 2023. The increase was primarily attributable to a higher backlog at the beginning of the year and positive order intake during the period, confirming the steady expansion of the industry.

Consumer

Revenue from contracts with customers from our Consumer segment increased by €102.1 million, or 12.4%, from €820.7 million for the year ended December 31, 2022 to €922.9 million for the year ended December 31, 2023. The increase was primarily attributable to the higher backlog at the beginning of the year and the positive order intake during the period; in addition, the increase in revenues was due to the acquisition of Phoenix Italia S.r.l. and Mespic S.r.l., which generated revenues of €16.9 million in 2023.

Automation

Revenue from contracts with customers from our Automation segment increased by €108.3 million, or 38.1%, from €284.0 million for the year ended December 31, 2022 to €392.3 million for the year ended December 31, 2023. The increase was primarily attributable to the higher backlog at the beginning of the year and the positive order intake during the period.

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

The following table provides a detail of total cost of raw, ancillary and consumable materials and goods for resale and change in inventory for the years ended December 31, 2023 and 2022:

	For the year ended December 31,					
	2023		2022		Change 2023/2022	
	(€ millions)	(% revenue)	(€ millions)	(% revenue)	(€ millions)	(%)
Change in work in progress, semifinished and finished goods	*4.4*	*0.2*	*15.6*	*0.8*	*(11.2)*	*(71.8)*
Change in inventory of raw, ancillary and consumable materials	*3.5*	*0.2*	*26.5*	*1.3*	*(23.0)*	*(86.8)*
Cost of raw, ancillary and consumable materials and goods for resale	*(910.6)*	*(39.5)*	*(804.3)*	*(40.4)*	*(106.3)*	*13.2*
Total Cost of raw, ancillary and consumable materials and goods for resale and change in inventory	**(902.7)**	**(39.1)**	**(762.2)**	**(38.3)**	**(140.5)**	**18.4**

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory amounted to €902.7 million for the year ended December 31, 2023, an increase of €140.5 million, compared to €762.2 million for the year ended December 31, 2022. The increase in this cost was primarily attributable to the increase of revenue from contracts with customers. As a percentage of revenue, our total cost of raw, ancillary and consumable materials and goods for resale and change in inventory increased from 38.3% to 39.1% over the same period.

Service, rentals and leases

Service, rentals and leases costs amounted to € 458.2 million for the year ended December 31, 2023, an increase of €76.4 million, or 20.0%, compared to €381.8 million for the year ended December 31, 2022. This increase was mainly due to outsourced works and fitting, technical consultancies due to increased revenue from contracts with customers. As a percentage of revenue, our Service, rentals and leases increased from 19.1% to 19.9% over the same period.

Personnel costs

Personnel costs amounted to €576.9 million for the year ended December 31, 2023, an increase of €34.9 million, or 6.4%, compared to €542.0 million for the year ended December 31, 2022. This change was primarily attributable to new hires, normal pay revisions due to Collective Bargaining Agreements and Corporate Compensation Policy in addition to increased travel and overtime work. As a percentage of revenue, our personnel costs decreased from 27.2% to 25.0% over the same period. Over the same period, our average number of employees increased from 6,851 for the year ended December 31, 2022 to 7,055 as of December 31, 2023.

Capitalized costs

Capitalized costs amounted to €50.3 million for the year ended December 31, 2023, an increase of €12.7 million, or 33.8%, compared to €37.6 million for the year ended December 31, 2022. This increase was primarily attributable to projects in research and development of new products. As a percentage of revenue, our capitalized costs increased from 1.9% to 2.2% over the same period.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs amounted to €177.6 million for the year ended December 31, 2023, an increase of €13.6 million, or 8.3%, compared to €164.0 million for the year ended December 31, 2022. As a percentage of revenue, our Depreciation, amortization and write-downs costs decreased from 8.2% to 7.7% over the same period.

Other operating costs

Other operating costs amounted to €13.8 million for the year ended December 31, 2023, an increase of €1.2 million, or 9.5%, compared to €12.6 million for the year ended December 31, 2022. As a percentage of revenue, our other operating costs remained equal to 0.6% over the same period.

Net financial income and expense

Net financial income and expenses amounted to an income of €102.1 million for the year ended December 31, 2023, an increase of €49.3 million, or 93.4%, compared to €52.8 million for the year ended December 31, 2022. The increase was primarily attributable to the remeasurement of the fair value of the interest held in IMA Dairy & Food GmbH following its acquisition, which generated a finance income of €17.3 million in 2022, increases in finance expenses due to the increase in the cost of debt in 2023 and foreign exchange effects. As a percentage of revenue, our net financial income and expenses increased from 2.7% to 4.4% over the same period.

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

Profit from investments accounted for using the equity method amounted to €0.7 million for the year ended December 31, 2023, an increase of €1.5 million, or 187.5%, compared to the loss of €0.8 million for the year ended December 31, 2022. The increase was primarily attributable to increase in profit of associated companies valued with equity method.

Taxes

Taxes amounted to €44.5 million for the year ended December 31, 2023, an increase of €22.2 million, or 99.6%, compared to €22.3 million for the year ended December 31, 2022, and corresponding to an effective taxation rate equal to 31.6%. The increase was primarily attributable to the 2022 accounting for the Patent Box tax relief.

Profit for the year

Profit for the year amounted to €96.3 million for the year ended December 31, 2023, a decrease of €11.7 million, or 10.8%, compared to €108.0 million for the year ended December 31, 2022, due to the factors mentioned above.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

The following table sets forth certain items from our consolidated income statement for the year ended December 31, 2022 compared to the year ended December 31, 2021 and as a percentage of our total revenue.

In 2022 we redefined our business segments to reflect the internal organization of the Group, on the basis of the complementarity of the reference market for customers of the companies included in each segment. In accordance with IFRS 8 – Operating Segments, we restated the 2021 financial data relating to segment presentation in our consolidated financial statements for the year ended December 31, 2022 in order to allow comparability between periods.

Income Statement Data

	For the year ended December 31,					
	2022		2021		Change 2022/2021	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Revenue from contracts with customers	**1,990.3**	100.0	**1,688.3**	**100.0**	**302.0**	**17.9**
Other revenue...	**15.4**	**0.8**	**12.8**	**0.8**	**2.6**	**21.3**
Operating costs						
Change in work in progress, semifinished and finished goods	*15.6*	*0.8*	*(8.8)*	*(0.5)*	*6.9*	*277.3*
Change in inventory of raw, ancillary and consumable materials	*26.5*	*1.3*	*11.1*	*0.7*	*15.4*	*138.7*
Cost of raw, ancillary and consumable materials and goods for resale............................	*(804.3)*	*(40.4)*	*(632.1)*	*(37.4)*	*(172.2)*	*27.2*

	For the year ended December 31,					
	2022		2021		Change 2022/2021	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Service, rentals and leases........................	*(381.8)*	*(19.1)*	*(329.0)*	*(19.5)*	*(52.8)*	*16.0*
Personnel costs..	*(542.0)*	*(27.2)*	*(463.8)*	*(27.5)*	*(78.2)*	*16.8*
Capitalized costs......................................	*37.6*	*1.9*	*39.0*	*2.3*	*(1.4)*	*(3.6)*
Depreciation, amortization and write-downs	*(164.0)*	*(8.2)*	*(145.3)*	*(8.6)*	*(18.7)*	*12.9*
Provisions for risks and charges..............	*3.1*	*(0.2)*	*5.8*	*0.3*	*(2.7)*	*(46.6)*
Other operating costs	*(12.6)*	*(0.6)*	*(12.7)*	*(0.8)*	*(0.1)*	*(0.8)*
Total Operating costs	**(1,821.8)**	**(91.6)**	**(1,547.2)**	**91.6**	**274.6**	**17.8**
Operating profit (EBIT)........................	**183.9**	**(9.2)**	**153.9**	**9.1**	**30.0**	**19.5**
—of which: effect of non-recurring items .	*(4.6)*	*(0.2)*	*(15.2)*	*(0.9)*	*(10.6)*	*(69.7)*
Financial Income....................................	*71.1*	*(3.6)*	*35.3*	*2.0*	*35.8*	*(101.4)*
Financial Expense	*(123.9)*	*(6.2)*	*(124.2)*	*(7.4)*	*(0.3)*	*(0.2)*
Net financial income and expense	(52.8)	(2.6)	(88.8)	(5.3)	(36.0)	(40.5)
Profit (Loss) from investments accounted for using the equity method................................	(0.8)	(0.04)	0.4	0.1	(0.4)	(300.0)
Profit before taxes..................................	**130.3**	**6.5**	**65.5**	**3.9**	**64.8**	**98.9**
Taxes	**(22.3)**	**(1.1)**	**(9.4)**	**0.6**	**(12.9)**	**137.2**
Profit for the year	**108.0**	**5.4**	**56.1**	**3.3**	**51.9**	**92.5**
Profit attributable to non-controlling interests	1.3	0.06	0.2	0.1	1.1	550.0
Profit attributable to equity holders of the parent	**106.6**	**5.3**	**55.9**	**3.3**	**50.7**	**90.7**
Basic and diluted earnings per share (€)	**2.47**		**1.30**			

Revenue from contracts with customers

Our revenue from contracts with customers amounted to €1,990.3 million for the year ended December 31, 2022, an increase of €302.0 million, or 17.9%, compared to €1,688.3 million for the year ended December 31, 2023. The increase was primarily attributable to the higher backlog at the beginning of the year, positive order intake during the period and the line-by-line consolidated of IMA Dairy & Food Holding GmbH for a total of €129.8 million.

The following table provides a breakdown of revenue from contracts with customers by our geographical areas for the year ended December 31, 2022 and 2021.

Revenue from contracts with customers by Geographical Area

	For the year ended December 31,					
	2022		2021 RESTATED		Change 2022/2021	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Pharmaceutical						
European Union (excluding Italy).	229.6	11.5	212.5	12.6	17.1	8.0
Other European countries..............	74.3	3.7	73.9	4.4	0.4	0.5
North America..............................	200.0	10.0	187.5	11.1	12.5	6.7
Asia and Middle East	180.8	9.1	163.2	9.7	17.6	10.8
Italy	137.4	6.9	118.1	7.0	19.3	16.3
Other countries	63.4	3.2	55.8	3.3	7.6	13.6
Total	**885.6**	**44.5**	**811.0**	**48.0**	**74.6**	**9.2**
Consumer						
European Union (excluding Italy).	205.7	10.3	179.1	10.6	26.6	14.9
Other European countries..............	125.6	6.3	113.2	6.7	12.4	11.0
North America..............................	181.8	9.1	111.2	6.6	70.6	63.5
Asia and Middle East	114.1	5.7	83.8	5.0	30.3	36.1
Italy	99.3	5.0	83.5	4.9	15.8	18.9
Other countries	94.2	4.7	89.7	5.3	4.5	5.0
Total	**820.7**	41.2	**660.6**	**39.1**	**160.1**	**24.2**

	For the year ended December 31,					
	2022		2021 RESTATED		Change 2022/2021	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Automation						
European Union (excluding Italy).	101.6	5.1	91.0	5.4	10.6	11.7
Other European countries.............	43.7	2.2	23.1	1.4	20.6	89.1
North America..............................	64.5	3.2	49.1	2.9	15.4	31.3
Asia and Middle East	33.0	1.6	26.9	1.6	6.1	22.7
Italy	34.9	1.8	23.6	1.4	11.3	47.9
Other countries	6.3	0.3	3.0	0.2	3.3	110.0
Total..	**284.0**	**14.3**	**216.7**	**12.8**	**67.3**	**31.1**
All the Segments						
European Union (excluding Italy).	536.8	27.0	482.7	28.6	54.1	11.2
Other European countries.............	243.6	12.2	210.2	12.5	33.4	15.9
North America..............................	446.3	22.4	347.8	20.6	98.5	28.3
Asia and Middle East	328.0	16.5	273.9	16.2	54.1	19.8
Italy	271.7	13.7	225.1	13.3	46.6	20.7
Other countries	163.9	8.2	148.6	8.8	15.3	10.3
Total..	**1,990.3**	**100.0**	**1,688.3**	100.0	**302.0**	**17.9**

Pharmaceutical

Revenue from contracts with customers from our Pharmaceutical segment increased by €74.6 million, or 9.2%, from €811.0 million for the year ended December 31, 2021 to €885.6 million for the year ended December 31, 2022. The increase was primarily attributable to the higher backlog at the beginning of the year and the positive order intake during the period.

Consumer

Revenue from contracts with customers from our Consumer segment increased by €160.1 million, or 24.2%, from €660.6 million for the year ended December 31, 2021 to €820.7 million for the year ended December 31, 2022. The increase was primarily attributable to the contribution made by the newly acquired Diary & Food Business and the higher backlog at the beginning of the period.

Automation

Revenue from contracts with customers from our Automation segment increased by €67.3 million, or 31.1%, from €216.7 million for the year ended December 31, 2021 to €284.0 million for the year ended December 31, 2022. The increase was primarily attributable to the higher backlog at the beginning of the year and the positive order intake during the period.

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

The following table provides a detail of total cost of raw, ancillary and consumable materials and goods for resale and change in inventory for the years ended December 31, 2022 and 2021:

	For the year ended December 31,					
	2022		**2021**		**Change 2022/2021**	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(%)*
Change in work in progress, semifinished and finished goods..	*15.6*	*0.8*	*(8.8)*	*(0.5)*	*6.8*	*(277.3)*
Change in inventory of raw, ancillary and consumable materials	*26.5*	*1.3*	*11.1*	*0.7*	*15.4*	*138.7*
Cost of raw, ancillary and consumable materials and goods for resale..................................	*(804.3)*	*(40.4)*	*(632.1)*	*(37.4)*	*(172.2)*	*27.2*
Total Cost of raw, ancillary and consumable materials and goods for resale and change in inventory..	**(726.1)**	**(36.5)**	**(629.8)**	**(37.3)**	**(96.3)**	**15.3**

Total cost of raw, ancillary and consumable materials and goods for resale and change in inventory amounted to €726.1 million for the year ended December 31, 2022, an increase of €96.3 million, or 15.3%, compared to €629.8 million for the year ended December 31, 2021. The increase was primarily attributable to higher revenue from contracts with customers. As a percentage of revenue, our total cost of raw, ancillary and consumable materials and goods for resale and change in inventory decreased from 37.3% to 36.5% over the same period. In recent years, we estimate that the majority of our total cost of sales is variable, which gives us great flexibility in our planning and budgeting.

Service, rentals and leases

Service, rentals and leases costs amounted to €381.8 million for the year ended December 31, 2022, an increase of €52.8 million, or 16.1%, compared to €329.0 million for the year ended December 31, 2021. This increase was primarily attributable to outsourced works and fitting, travel and transport costs due to increased revenue from contracts with customers. As a percentage of revenue, our Service, rentals and leases are in line compared to previous year.

Personnel costs

Personnel costs amounted to €542.0 million for the year ended December 31, 2022, an increase of €105.2 million, or 16.9%, compared to €463.8 million for the year ended December 31, 2021. This change was primarily attributable to more travel and over time. As a percentage of revenue, our personnel costs decreased from 27.4% to 27.2% over the same period. Over the same period, our number of employees increased from 6,207 as of December 31, 2021 to 6,851 as of December 31, 2022.

Capitalized costs

Capitalized costs amounted to €37.6 million for the year ended December 31, 2022 compared to €39.0 million for the year ended December 31, 2021.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs amounted to €164.0 million for the year ended December 31, 2022, an increase of €18.7 million, or 12.9%, compared to €145.3 million for the year ended December 31, 2021. This increase was primarily attributable to the newly acquired Dairy & Food business. As a percentage of revenue, our Depreciation, amortization and write-downs decreased from 8.6% to 8.2% over the same period.

Other operating costs

Other operating costs amounted to €12.6 million for the year ended December 31, 2022, a decrease of €0.1 million, or 0.7%, compared to €12.7 million for the year ended December 31, 2021. As a percentage of revenue, our other operating costs decreased from 0.8% to 0.6% over the same period.

Net financial income and expense

Net financial expense amounted to €52.8 million for the year ended December 31, 2022, a decrease of €36.0 million compared to €88.8 million for the year ended December 31, 2021. The decrease was primarily attributable to the fair value remeasurement of the interest in IMA Dairy & Food Holding GmbH.

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

Loss from investments accounted for using the equity method amounted to €0.8 million for the year ended December 31, 2022, a decrease of €1.2 million compared to profit of 0.4 million for the year ended December 31, 2021.

Taxes

Taxes amounted to €22.3 million for the year ended December 31, 2022, an increase of €12.9 million, or 137.2%, compared to €9.4 million for the year ended December 31, 2021, and corresponding to an effective taxation rate equal to 17.1%.

Profit for the year

Profit for the year amounted to €108.0 million for the year ended December 31, 2022, an increase of €51.9 million, or 92.5%, compared to €56.1 million for the year ended December 31, 2021, due to the factors mentioned above.

Liquidity and Capital Resources

Cash Flow—Years Ended December 31, 2021, 2022 and 2023

The following table summarizes our consolidated cash flow statements for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
		(*€ million*)	
Cash flow provided by/(used in) operating activities (A)(*)	287.6	172.7	184.6
Cash flow provided by/(used in) investing activities (B)	(105.8)	(156.4)	(127.5)
Cash flow provided by/(used in) financing activities (C)	(836.8)	(43.4)	(59.8)
Net change in cash and cash equivalents (D = A+B+C)	**(655.0)**	**(27.0)**	**(2.7)**
Cash and cash equivalents at the beginning of the year (E)	**130.9**	**231.7**	**204.7**
Cash and cash equivalents at the end of the year (F = D+E)	**231.7**	**204.7**	**202.0**

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

Cash flow provided by/(used in) operating activities

Cash flow provided by operating activities amounted to €184.6 million for the year ended December 31, 2023, an increase of €11.9 million, or 7.2%, compared to €172.7 million for the year ended December 31, 2022. The cash flow provided by operating activities in 2023 increased primarily due to the increase in operating profit, partly offset by higher cash expenses due to our working capital requirements.

Cash flow provided by operating activities amounted to €172.7 million for the year ended December 31, 2022, a decrease of €114.9 million, or 40.0%, compared to €287.6 million for the year ended December 31, 2021. The cash flow provided by operating activities in 2022 decreased primarily due to our working capital requirements in 2022 as compared to 2021.

Our cash flow provided by operating activities tend to be uneven across seasons, which is caused by the budgeting and spending practices of our customers, which are typical of institutions. Generally, our cash flow provided by operating activities are higher in the fourth quarter of the calendar year as our customers budget for and purchase our products and services with a view toward their needs in the next calendar year.

Cash flow provided by/(used in) investing activities

Cash flow used in investing activities amounted to €127.5 million for the year ended December 31, 2023, a decrease of €28.9 million, or 18.5%, compared to €156.4 million for the year ended December 31, 2022. The increase in cash flow used in our investment activities was mainly due to lower expenses in connection with M&A activities in 2023 as compared to 2022.

Cash flow used in investing activities amounted to €156.4 million for the year ended December 31, 2022, an increase of €50.6 million, compared to €105.8 million for the year ended December 31, 2021. The increase in cash flow used in our investment activities was mainly due to an increase in expenditures related to our M&A activities in 2022.

For more information about our historical acquisitions and how acquisitions play a role in our strategy, see "*Business—History*" and "*Business—Strategy—Continue to pursue strategic acquisitions.*"

Cash flow provided by/(used in) financing activities

Cash flow provided by financing activities amounted to €59.8 million for the year ended December 31, 2023, compared to cash flow used in financing activities of €43.3 million for the year ended December 31, 2022. The increase in cash flow provided by financing activities was due primarily to the increase of rates of interest applicable to our floating rate indebtedness.

Cash flow used in financing activities amounted to €43.3 million for the year ended December 31, 2022, compared to cash flow used in financing activities of €836.8 million for the year ended December 31, 2021. The decrease in cash flow used in financing activities was due to the settlement of the tender offer aimed at the delisting of the Issuer's shares occurred in January 2021.

Net operating working capital and Net working capital

Net working capital is defined as the sum of Trade receivables and Inventories less Trade payables and Other net. Net operating working capital is defined as the sum of Trade receivables and Inventories less Trade payables.

The following table sets forth our net working capital and net operating working capital as of December 31, 2021, 2022 and 2023:

	As of December 31,		
	2021	**2022**	**2023**
		(€ millions)	
Trade receivables[(1)]	444.2	685.0	884.5
Inventories	368.9	441.8	453.0
Trade payables[(2)]	(617.7)	(769.6)	(796.6)
Net operating working capital	**195.4**	**357.2**	**540.9**
Other net[(3)]	(122.5)	(154.2)	(188.1)
Net working capital	**72.9**	**203.0**	**352.8**

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

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

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

As of December 31, 2021, 2022 and 2023, our Net working capital position was, respectively, positive for €72.9 million, for €203.0 million, and for €352.8 million.

The increase in Net working capital as of December 31, 2023 compared to December 31, 2022 was mainly due to (i) the increase of trade receivables by €199.5 million as a result of higher sales revenue, (ii) the increase of inventories by €11.2 million to manage deliveries of finished products within the context of an increased focus on improving supply network to shorten lead times, (iii) the increase of trade payables by 27.0 million and (iv) the increase of "other net" which mainly reflects the increase in income tax liabilities.

The increase in Net working capital as of December 31, 2022 compared to December 31, 2021 was mainly related to (i) the increase of trade receivables by €240.8 million due to higher sales, with a contribution from the Diary & Food business of €49.8 million, (ii) the increase of inventories by €72.9 million to meet deliveries of finished products within the context of high levels of backlog, also in consideration of the expected shortage in electronic components which led to the decision to increase their stocks, (iii) the increase of trade payables by €151.9 million and (iv) the increase of other net to €(154.2) million versus €(122.5) million in 2021.

As a general matter, the increase in trade receivables is primarily driven by higher sales as well as by our shift towards designing, creating and delivering increasingly customized and complex machinery that requires more time to be designed, created and delivered, which results in an increase in trade receivables.

Available Liquidity and Capital Resources

Our liquidity requirements primarily relate to funding fluctuations in working capital, making capital expenditures for research and development and plant and equipment and meeting our ongoing debt service requirements. As of December 31, 2023, we had €209.6 million in available liquidity. We believe that our expected cash flows from operations together with available borrowings will be adequate to meet our expected capital expenditures, debt service, including payables for new acquisition and options for the purchase minority interest in subsidiaries, working capital and general liquidity needs.

Net financial debt

Net financial debt of the Issuer

The following table sets forth our Net financial debt as of the dates indicated.

	As of December 31,		
	2021	2022	2023
		(€ millions)	
A. Cash and cash equivalents	(231.7)	(204.7)	(202.0)
B. Current financial assets measured at amortized cost	(11.2)	(2.9)	(3.7)
C. Current financial assets measured at FVOCI	(4.7)	(4.7)	(3.9)
D. Liquidity (A)+(B)+(C)	**(247.6)**	**(212.3)**	**(209.6)**
E. Current payables to banks	50.5	99.3	162.3
F. Current portion of bonds	12.0	13.0	15.3
G. Current lease liabilities	25.5	28.1	31.4
H. Current payables to other lenders	0.2	0.3	0.3
I. Current financial debt (E) + (F)+(G)+(H)	**88.2**	**140.7**	**209.3**
J. Net current financial debt (D)+(I)	**(159.4)**	**(71.6)**	**(0.3)**
K. Non-current payables to banks	8.4	7.8	5.6
L. Non-current portion of bonds	1,244.6	1,250.9	1,257.6
M. Non-current lease liabilities	172.5	178.5	173.9
N. Non-current payables to other lenders	216.1	223.4	231.3
O. Non-current financial assets	(34.1)	(1.5)	(2.2)
P. Net non-current financial debt (K)+(L)+(M)+(N) + (O)	**1,607.5**	**1,659.1**	**1,666.2**
P. Net financial debt (J)+(O)	**1,448.1**	**1,587.5**	**1,665.9**

Our Net financial debt was €1,448.1 million, €1,587.5 million and €1,665.9 million as of December 31, 2021, 2022 and 2023, respectively. Net financial debt has been calculated in accordance with ESMA Recommendation No. 319 of March 20, 2013, except for the inclusion of non-current financial assets and the exclusion of payables for acquisitions relating to the options agreed for the purchase of the minority interests in subsidiaries totalling €123.2 million as of December 31, 2021, €96.0 million as of December 31, 2022 and €106.8 million as of December 31, 2023. See "*Risk Factors—Risks Relating to Our Financial Profile—Our substantial indebtedness could adversely affect our business and prevent us from fulfilling our obligations under the Notes*" and "*Description of Certain Financing Arrangements*."

Capital Expenditures

The following table sets forth our gross capital expenditures and our capital expenditures as a percentage of total revenue for the period indicated.

	For the years ended December 31,					
	2021		2022		2023	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(% revenue)*
Capital expenditures on intangible assets[1]	41.4	2.5	47.0	2.4	54.4	2.4
Capital expenditures on tangible assets	78.1	4.6	72.6	3.6	69.0	3.0

	For the years ended December 31,					
	2021		2022		2023	
	(€ millions)	*(% revenue)*	*(€ millions)*	*(% revenue)*	*(€ millions)*	*(% revenue)*
Total gross capital expenditures	**119.5**	**7.1**	119.6	**6.0**	123.4	**5.4**
Sales / Write downs / Impairments	(143.7)	(8.5)	(163.3)	(8.2)	(174.3)	(7.6)
Capital expenditures	**24.2**	**1.4**	(43.7)	**(2.2)**	**(50.9)**	**(2.2)**

(1) Capital Expenditures refer to cash expenditures (including expenditures for the addition or improvement to or replacement of the assets owned by the Issuer) made to maintain the long-term operating capacity of the assets of the Issuer.

We make capital expenditures to support the long-term success of our business. Our capital expenditures include, among other things, the following: (i) the development costs incurred on totally new products for market segments not previously occupied; (ii) the purchase of plant, machinery and electronic machines; and (iii) the construction, expansion and adaptation of buildings (iv) increase in fixed assets for new/extension of contracts as per IFRS16.

Off-Balance Sheet Arrangements

As of December 31, 2023, we had no relationships with unconsolidated entities or financial partnerships that were established to facilitate off-balance sheet arrangements.

Qualitative and Quantitative Disclosure about Market Risk

Credit Risk

We closely control our credit exposure through the allocation of credit limits to each customer and an internal reporting system. As of December 31, 2023, the credit exposure is not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable. In particular, as of December 31, 2023, total trade receivables and contract assets amounted €344.5 million. An allowance for doubtful accounts of €18.1 million is in place, to cover potential losses on collection. We consider this amount sufficient to cover these potential losses.

Interest Rate Risk

We raise funds using debt and invest excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting our net financial charges. Our policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans covered by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Section D) "Financial Risk Management" of the notes to the consolidated financial statements for the year ended December 31, 2023. As a result of this policy and considering the current amount of net debt, it is believed that the change in current interest rates would not have a significant impact on net financial expenses.

Foreign Currency Risk

We are exposed to foreign currency exchange rate fluctuations that can affect our operating results and the value of our equity. All companies are subject to exchange rate fluctuations affecting trade and financial balances in currencies different from their own. In order to limit this risk, in some cases non-speculative hedging instruments are negotiated.

Currently, such risk is not material since the large majority of our revenue are denominated in euro and the residual part are denominated in US dollars. We hedge our dollar risk on an order by order basis.

As of December 31, 2023, positions in currencies different from the euro in companies in countries belonging to the European Monetary Union, not covered by hedging instruments and which are material to our operations, and calculated using the respective euro exchange rates as of December 31, 2023, are the following:

- *US dollar*: (i) €121.2 million in trade receivables and contract assets; (ii) €8.8 million in advances, taxes and other receivables; (iii) €56.8 million in trade payables and contract liabilities; and (iv) €13.2 million in tax, employee and other payables.
- *Swiss franc*: (i) €67.4 million in trade receivables and contract assets; (ii) €5.8 million in advances, taxes and other receivables; (iii) €24.7 million in trade payables and contract liabilities; and (iv) €4.6 million in tax, employee and other payables.

For consolidation purposes the income statements and balance sheets of the Group companies located outside the European Monetary Union are converted from their local currencies into euros. The effect of exchange rate variations on the conversion of these values is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, as of December 31, 2023, is €(18,313) million.

Liquidity Risk

The liquidity risk to which we may be exposed is the inability to raise sufficient financial resources for our ongoing business and for the development of our industrial and commercial activities. The two main factors which determine our liquidity are (i) the cash generated or absorbed by operations and by investments and (ii) the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. As of December 31, 2023, we had at our disposal a supply of liquidity readily available for our operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of our financial assets and our loans are set out in Section F note 5 of our audited consolidated financial statements, which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. We believe that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are enough to satisfy investment needs, working capital requirements and the repayment of loans by their contractual due dates, as well as the committed Revolving Credit Facility.

Critical Accounting Policies

We prepare our financial statements in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

Estimates

The estimates and underlying assumptions are reviewed periodically and continuously by us. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustments accordingly. The effects of any changes in estimate are recognized in the income statement in the period in which the adjustment is made, or prospectively in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

<u>*Revenue from contracts with customers and estimates of contractual risks*</u>

Revenue from contracts with customers for contract work and contract assets and liabilities, are based on the cost-to-cost method which requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by us. These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

Goodwill and other intangible assets

Goodwill and other intangible assets, deriving from the allocation of the price of business combinations and the impairment test of such assets, require processes and methods for evaluating and determining estimates based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, taking into consideration the conditions of the different markets in which the Group operates. These facts and circumstances make it difficult the application of these processes and methods and, consequently, to estimate the value of goodwill and intangible assets at the balance sheet date. We generally carry out the impairment of goodwill and other intangible assets when preparing the annual financial statements, when all of the information needed is available, except in cases where there are clear signs of impairment that require an immediate assessment of any loss in value.

INDUSTRY OVERVIEW

Certain information set forth in this section has been derived from external sources, including industry reports prepared by consultants. Industry publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on internal management analysis and in some cases combined with the aforementioned external sources. The market projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements."

Introduction

This section illustrates the end-markets where we operate and the competitive landscape of the reference markets. We are a global leader in the design and assembly of complex automated machinery for the product filling and primary packaging of pharmaceuticals, cosmetics, tea, coffee, other food products, tissue and nonwoven, next generation products and other products. We also design and manufacture advanced technology lines for handling and assembling parts for different applications fields, such as automotive, e-mobility, electrical motors, medical devices, caps & closures, eye care, electro mechanics and watchmaking. In today`s global economic environment, automation has emerged as a critical trend, reshaping operations across various industries. The movement towards automated systems is driven by the objective of increased efficiency, precision, and cost reduction. In this evolving market, we have strategically focused and have established a significant competitive advantage on several attractive niche markets that we believe are highly resilient and fast-growing. Our three business segments (i) Pharmaceutical, (ii) Consumer, and (iii) Automation (complex machinery that is viewed as a separate end market), are geared towards competing in these niche markets. These segments are characterized by (a) high barriers to entry (e.g. capital requirements, product differentiation, economies of scale, access to distribution channels, and regulations), (b) significant recurring revenues from established client relations and after-sale activities, (c) regulated and increasingly complex products requiring higher quality packaging, and (d) an increasing focus on environmental impact of operations driving machinery upgrades. Our revenues depend on the capital expenditure of our customers who exhibit stable annual capex spending towards manufacturing process automation and equipment upgrade.

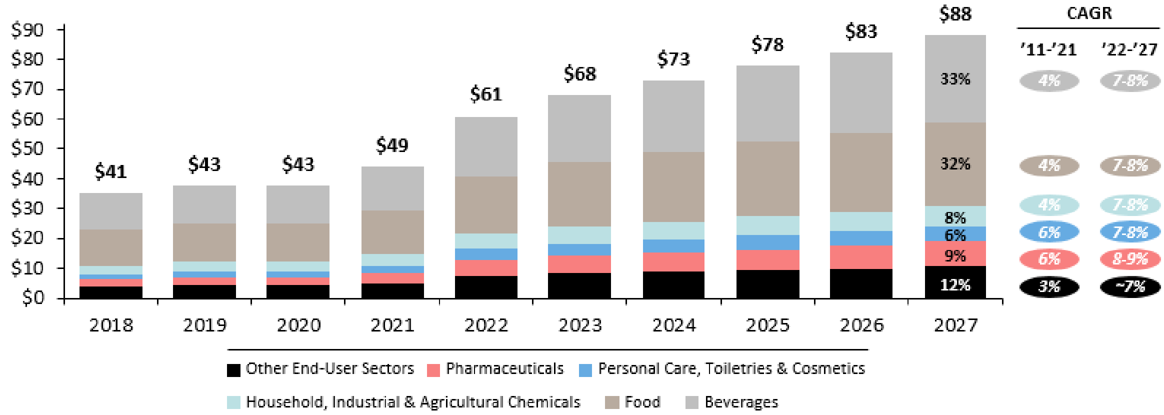
Overview of Original Equipment Manufacturing Market

Overview of packaging machinery market

The global packaging machinery market has been characterized by strong expansion in the last few years, accounting for approximately $43.0 billion in revenue in 2020 (Source: Management estimates). Our key directly addressable market consists of the pharmaceutical packaging machinery market, selected attractive niches in the consumer packaging machinery market (e.g., tea, coffee, dairy, etc.), and automation (including automotive and e-mobility, MedTech, caps and closures, and watchmaking).

The following sets forth the total packaging machinery market broken down by end-market.

Global Packaging Machinery Market ($bn)



Source: Management estimates

As shown in the table above, the pharmaceutical segment has registered the strongest historical growth (2011-2021 CAGR of approximately 6%) and is expected to slightly outpace general market growth (2022-2027 CAGR of approximately 8-9%). The food and beverage markets are the largest for packaging machinery globally, accounting for approximately 65% of the total original equipment market.

The packaging machinery market is characterized by a set of distinct attributes that define its commercial landscape. It exhibits low cyclicality in demand, indicating stability in context of broader economic fluctuations. This consistent demand is further reinforced by underlying steady long-term trends that contribute to sustained demand for packaging solutions. In terms of growth, the market presents substantial potential in both organic and inorganic forms. Organic growth is driven by an inherent increase in demand, fueled by continuous technological innovations and advancements within the packaging industry. Inorganically, the market displays fragmentation beyond a select group of market leaders and has potential for expansion through partnerships and mergers and acquisition, offering opportunity for companies to broaden their market share and enhance operational capabilities. Additionally, customers show low price sensitivity towards advanced machinery, signalling a preference for quality and technological sophistication over costs.

Global Trends Shaping the Industry

We believe that the following factors have acted as long-term drivers fueling demand for new machinery or retro-fitting of existing machinery: (i) demographics and ageing society; (ii) increased attention to health and wellbeing; (iii) sustainability driving changes in packaging materials and formats; (iv) convenience and on-the-go lifestyle trends; (v) product safety concerns and increased requirements; (vi) greater need for factory automation solutions; (vii) increase in pharmaceutical product consumption; and (viii) growing industrial output driving capacity additions across process, hybrid and discrete end markets.

After-Sales

The after-sales market for packaging machinery is characterized by recurring revenue streams, whose development is mainly driven by the following components:

- *Expansion of installed base*: increased sales of new machinery and long operational lifespan of existing equipment sustains growth of the customer base.

- *Emphasis on part availability and response times*: efficient and timely maintenance is crucial for minimizing downtime in packaging operations, thus, making these factors critical in customer satisfaction and loyalty.

- *Upselling opportunities*: these include potential sales to existing customers of other additional services and digital offerings.

- *Regulatory-driven upgrades*: compliance with new safety, environmental and operational regulations often requires machinery modifications, providing additional opportunities to provide services to existing customers (especially in the pharmaceutical sector).

Our Addressable Markets

We serve three key end-markets: (i) the pharmaceutical packaging machinery market; (ii) select niches of the consumer packaging machinery market (e.g. tea, coffee, food and dairy); and (iii) automation, which encompasses all end-markets and sectors where there is high demand for advanced and automated packaging and assembly machinery.

Pharmaceutical

Market Drivers

A description of the main market drivers for the pharmaceutical packaging machinery market is set forth below from the strongest to the weakest in terms of their indicative impact on market growth.

- *Production volumes*: personalized medicine (involving smaller batches) is expected to drive a demand for more flexible packaging machinery, in addition as more generic companies push into the market driving significantly increased total production volumes. Furthermore, the rising demand for packaged pharmaceutical products with higher sanitization standards in emerging markets can be observed and is expected to further drive production volumes and the need for expanded production capacity.

- *Machine complexity*: the introduction of stricter regulations is closely correlated to the increase in the quality and traceability requirements on equipment and packaging. In addition, the rise of highly potent or controlled drug types drives more complex processes and packaging equipment while simultaneously the increase in automation increases the complexity of the machinery themselves through additional software and sensors. Finally, environment-friendly materials for packaging require alternations to the packaging machinery and such changes may trigger modifications to previously installed machinery.

- *Machine productivity*: smaller batch sizes imply lower throughput which implies a higher demand for machinery. However, automation can improve overall equipment efficiency through reduced downtime (e.g., with remote service), higher throughput and reduced manual labor. The focus on high productivity by companies offering generic drugs also requires higher performance and capabilities of the installed base of machines.

- *Machine price*: the main costs associated to this driver are: (i) engineering costs for adequate packaging machinery due to an increase in regulations and more complex drug types; (ii) price pressures on equipment providers due to the growth of generic drugs companies and contract manufacturing organizations; and (iii) the expected overall increase in machine prices due to the rising share of sensors and software within machinery.

- *Scrap rate*: regulatory requirements such as traceability may require clients to purchase new packaging machinery. Additionally, the production of new drug types call for new packaging machinery as processes become more complex.

Trends

In the pharmaceutical original equipment market numerous trends are shaping the industry, especially:

- *Customization and innovation*: there is a high degree of customization required, coupled with continuous emphasis on innovation and R&D to meet unique production needs.

- *Stringent regulatory standards*: the market is subject to evolving and increasingly stringent regulatory standards.

- *Fragmentation with specialization*: the market remains fragmented, characterized predominantly by large European players specializing in single-product lines.

- *Global service*: there is growing demand for global service capabilities, requiring companies to provide consistent, high-quality services and products across various international markets.

Key customers

There are three major segments of customers which are distinguished based on their business model.

<u>Large pharmaceutical companies</u>

These are entities which usually comprise a combination of originator and (branded) generic business with a global presence and high budgets for development of drugs. These customers ultimately therefore require some small-scale production for the preclinical phase. Notably, the top 20 pharmaceutical companies account for approximately 80% of the pharmaceutical product revenue (Source: Management estimates).

<u>Generic specialists</u>

Usually a generic subsidiary of a large pharmaceutical company having requirements for major investments for large scale production, especially for liquid production lines, but low research and development budgets. These entities lack of product differentiation due to identical formulation.

<u>Contract manufacturing organizations</u>

A contract manufacturing organization usually works as a contract manufacturer with the primary business model of "selling over-capacities". The services of these customers can include formulation, development, pre-clinical and clinical trials, scale-up and commercial production.

Competitive landscape

The pharmaceutical packaging machinery market is fragmented and only a select group of companies offers broad product portfolios across liquid and solid pack pharmaceuticals, among others. Despite being a highly fragmented market, there are only a few market players with a broad portfolio of pharmaceutical products at different price points, notably Syntegon and Romaco. Only a selection of intermediate players offers selected product classes at different price levels, ranging from high to low, such as GEA, Korber Medipak, Coesia, Marchesini Group, Optima, ACG. Finally, certain specialized players are experts in one particular product segment, serving mostly the high and medium price point segments; these players include Uhlmann Group, HH, Glatt, Fette Compacting, Bausch and Strobel, Bohle, and Groninger.

Consumer

The consumer packing machinery market encompasses numerous niches, including the following: (i) coffee, tea, herbs; (ii) food and beverage; (iii) dairy; (iv) personal and home care; (v) tissue and nonwoven; (vi) next generation tobacco products, amongst others. A brief overview of the highlights for each of the primary segments we cover is presented below:

- *Tea bags*: we believe the world market for tea bag machinery is characterized by high level of concentration with our market share being approximately 70% (Source: Management estimates).
- *Coffee*: a highly developed niche demanding process, packaging and service requirements for end-to-end production.
- *Dairy*: in selected niches of the dairy market, where growth volatility is low, we believe we have a market share of approximately 70% (Source: Management estimates).
- *Food*: our strategy is to focus on flexible packaging, aimed at meeting a diverse range of customer machinery needs.
- *Tissue*: we are a supplier of primary and secondary machines for the tissue and non-woven niche sector.
- *Tobacco*: we provide high quality machines that support the creation of innovative projects like the so-called "next generation products" (i.e., newer nicotine and tobacco products, including e-

cigarettes (also known as electronic delivery systems, or ENDS), heated tobacco products (HTPs), snus and nicotine pouches).

- *E-commerce*: we focus on automated packaging stations specifically designed to support operators in the boxing of e-commerce products in fulfillment centers.

Market drivers

A description of the main market drivers for the consumer packaging machinery market is set forth below from the strongest to the weakest in terms of their indicative impact on market growth.

- *Production volumes*: higher packaging variety drives the demand for more flexible packaging machinery, while accelerating demand for packaged food drives production volumes globally, especially in emerging markets.
- *Machinery complexity*: flexible packaging requirements drive machine complexity and expertise and increasing hygienic requirements drive demand for compliant packaging machinery. In addition, environment-friendly materials alter the requirements on packaging machinery, whereas automation increases complexity of machinery through software, sensors and other technical demands.
- *Machinery price*: the price pressure in the packaging equipment industry is partially mitigated by technologically more advanced machinery as well as environmental and hygienic requirements. However, prices remain under pressure due to quickly improving product offerings from mid-end providers and an increasing number of competitors from low-cost countries (e.g., China) entering the market.
- *Machine productivity*: a decrease in machine productivity is expected as packaging variety increases setup costs. Automation once again plays a key role, as it can improve overall equipment efficiency through reduced downtime (e.g., with remote service), higher throughput and reduced manual labor.
- *Scrap rate*: while more flexible packaging machinery is needed to set up production lines more efficiently, higher importance of suitable packaging solutions drives demand for new machinery.

Trends

The main consumer original equipment market trends are presented below.

- *Premium packaging demand*: expanding variety in packaging leads to greater product differentiation need, which in turn heightens demand for premium packaging, thereby accelerating market growth.
- *Overall increased demand for packaged goods*: increasing volumes due to higher demand driven by convenience and on-the-go lifestyle drives production volume globally.
- *Sustainable packaging*: increasing attention on sustainability and reduction of packaging waste requires new technology (e.g. gluing and sealing) and an ability to work with different and new materials driving demand up.
- *Automation and digitalization*: an increasing integration of sensors and software in packaging machinery is enhancing the sector`s capacity to offer advanced automation solutions.

Key customers

There are three major segments of customers which are distinguished based on their business model.

<u>Global generalists</u>

These are large multi-national companies manufacturing blockbuster products as their core business and often have a tendency towards a more centralized strategy for standardized components and having key accounts with constantly high order volume and framework contracts.

Regional specialists

These are companies with a regional footprint and customized systems tailored to their process flow that utilize internal engineering capacity for machine integration and setup.

Local specialists

These are local companies with focused application domain and regional coverage. Typically, manual labor holds a higher share of their process flow and they have a focus on cost efficient production and high overall equipment effectiveness.

Competitive landscape

The consumer original equipment market is composed of major competitors comprising a few large equipment groups. Our main competitors offer a varied product and service offering, and range between a high and medium price point. It is important to note that the market is broadly fragmented, and competitors often only compete in certain sub-markets.

The tea-bag machinery sector is characterized by a high level of concentration with the first two players, we believe, covering about 90% of the market – we have approximately 70% of market share with the second player being Teepack (a company of the Teekanne group) (Source: Management estimates).

In the coffee machinery space, our main competitors are Probat, Brambati and Bühler for the processing and Opem, Optima, Rychiger, Senzani and CAMA for the packaging.

In the diary business we are mainly competing with Syntegon and Sapal.

In the food as well as non-food packaging solutions with flexible materials our main competitors are Coesia, ULMA, PFM and Syntegon.

In the tissue sector the main competitors are Stax, Infinity, Koerber, Plusline, Futura, Focke, PCMC, Kansan, Amotek, CB Packaging, Focke, GDM, Gevas, Optima, Fameccanica.

In the tobacco sector our main competitor is Coesia.

Automation

Automation is applied in a wide variety of industries; we classify it as a separate end-market which encompasses all those niche markets characterized by a focus on advanced technology. The sectors covered by our solutions are: (i) e-mobility (electric motors, clutches, auxiliary motors, battery pack); (ii) Medtech (medical devices, eye care); (iii) caps and closures; (iv) watchmaking; and (v) electro-mechanics. E-mobility applications in particular display a large-scale addressable market where we act as a strategic partner to original equipment manufacturers ("OEMs") and the so-called Tier-1 suppliers (i.e. direct suppliers to OEMs).

Market drivers and trends

Given the wide array of industries involved, the trends and key market drivers differ among the industries considered. However, the main drivers that are common to these sectors are (i) increasing demand for precision and accuracy; (ii) need for customization; (iii) rigorous new product development with a need for increased standards and complexity; (iv) increased regulatory requirements (e.g. injectables); and (v) supply chain optimization.

In the e-mobility original equipment industry for example, where we cover a full spectrum of technologies used in EV manufacturing, favorable market trends include (i) rapid market growth due to increase consumer interest and government incentives; (ii) complex manufacturing needs requiring high level of precision (e.g. production of batteries); (iii) need for scalability; (iv) customization requirements; and (v) increasing attention to the environment and sustainability.

Key customers

The main customers of the automation segment are key OEMs in the automotive industry and Tier 1 car makers as well as major operators in the other relevant niche markets.

Competitive landscape

The competitive landscape differs depending on the segment being considered. However, key players in this market predominantly include: ATS/Sortimat, JR Automation, BBS Automation, Teamtechnik, Mikron, Harro Höfliger, Grob-Werke, Felsomat, and Marsilli.

Packaging Machinery Value Chain Overview

The value chain of the packaging equipment industry is a structured process that encompasses several key stages, each integral to delivering the final product and service to the customer. This chain is divided into the following steps:

- *Component manufacturing*: this initial stage involves the production of various components. It includes the fabrication of parts and materials that will be later assembled into final machinery.
- *Design*: this step focus on the conceptualization and design of packaging machinery. Players focus on R&D and collaborate closely with customers to develop and design products tailored to their needs.
- *Manufacture / assembly*: this stage is where the previously manufactured components are assembled to create the complete machinery.
- *Customer sale*: this phase mainly involves marketing the equipment's potential and managing sales transactions. Players with an extended geographical footprint like us are able to leverage a wider distribution channel and overall sales workforce.
- *After-sales support*: this final stage of the value chain includes providing customers with services such as maintenance, repairs, upgrades, and technical support. Effective after-sales support is vital for maintaining customer satisfaction and loyalty, as well as ensuring the long-term functionality and efficiency of the equipment.

We focus on operating in the most attractive stages of the value chain. This strategy allows us to focus on more value-added activities and maintain a low fixed cost base while decreasing the capital expenditure intensity of our business model. More precisely, we are less involved in component manufacturing – where we rely on a network of local suppliers – and machine assembly.

We are focused instead on (i) complex machine design, (ii) thorough machine testing, and (iii) direct customer coverage and service.

BUSINESS

Overview

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

Founded in 1961 and headquartered in Bologna, Italy, an area known for the presence of well-established manufacturing companies and a talented engineering labor force, we have 54 manufacturing facilities and more than 7,000 employees, out of whom more than 88% have a high school diploma or university degree, in more than 16 countries, including Italy, the United States, China, Argentina, Germany and Switzerland. Our footprint spans 80 countries and we sell our products worldwide to a loyal blue-chip customer base, both directly through our on-the-ground salesforce and, in selected markets, third party agents. We have historically been able to build long-lasting customer relationships by creating highly customized and specialized products thanks to our flexible supply chain. Our loyal blue-chip customer base allows us to achieve stable and highly visible revenue through new machine orders and After-Sales products and services to existing customers.

For the year ended December 31, 2023, we generated revenue of €2,305.8 million, EBITDA of €418.5 million (representing an EBITDA Margin of 18.1%) and net profit of €96.3 million. We also have a strong pipeline of on-going projects, with a Backlog of €1,440.5 million, as of December 31, 2023.

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

Pharmaceutical. We design, develop, assemble, and install machinery for the packaging of pharmaceutical capsules and tablets in blisters and bottles, filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, freeze-drying, tube-filling, cartoning and bag-filling systems for the production of tablets and capsules, and for coating and granulation of pharmaceuticals. Our Pharmaceutical segment generated €990.6 million, or 43.0%, of our total revenue for the year ended December 31, 2023.

Consumer. We design, develop, assemble, and install coffee-processing plants, machinery for the packaging and/or assembling of tea bags, coffee capsules, dairy and other food and beverage products, cosmetics and other personal care products, home care products, and tissue products. Our Consumer segment generated €922.9 million, or 40.0%, of our total revenue for the year ended December 31, 2023.

Automation. We design and develop technological solutions for the set-up of assembly and production lines of medical products and for the production of electric motors and in the automotive, e-mobility, electro-mechanics and watchmaking sectors, as well as medical devices and eye care. Our Automation segment generated €392.3 million, or 17.0%, of our total revenue for the year ended December 31, 2023.

We offer both Original Equipment and After-Sales products and services within each of our three segments. From 2021 to 2023, our After-Sales business has consistently represented more than 30% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, due to its higher profitability compared to our Original Equipment business, our After-Sales business has represented, on average, 48.5% of our total gross profit over the same period.

The table below sets forth breakdowns of our total revenue by segment and geographical area for the year ended December 31, 2023 and our Backlog as of December 31, 2023. Our Backlog consists of the contracted future revenue relating to all signed orders for which customers. Our customers generally pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price.

Revenue by geographical area	**For the year ended December 31, 2023**
	(€ millions)
European Union (excluding Italy)	701.7
Other European countries	201.7
North America	492.3
Asia and Middle East	392.0
Other countries	236.1
Total Exports	2,023.8
Italy	282.0
Total	**2,305.8**

Adjusted EBITDA by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	199.9
Consumer	161.9
Automation	67.2
Total	**429.0**

Revenue by segment	**For the year ended December 31, 2023**
	(€ millions)
Pharmaceutical	990.7
Consumer	922.9
Automation	392.3
Total	**2,305.8**

Gross profit by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	428.3
After-Sales	364.8
Total	**793.1**

Revenue by business category	**For the year ended December 31, 2023**
	(€ millions)
Original Equipment	1,553.9
After-Sales	751.9
Total	**2,305.8**

Backlog by segment	**As of December 31, 2023**
	(€ millions)
Pharmaceutical	699.2
Consumer	403.1
Automation	338.2
Total	**1,440.5**

Our Strengths

We believe there are a number of key factors that drive our success, including (i) our position as an undisputed global leader across various niche and growing markets; (ii) our presence in attractive, regulation driven end markets, underpinned by steady long-term growth drivers and high entry barriers; (iii) our technology leadership, innovation-driven DNA and end-to-end offering driving customer entrenchment; (iv) our well diversified, long standing and solid customer relationships; (v) our recurring revenues driven by aftermarket focus and fast-growing backlog; (vi) a highly resilient and attractive financial profile with strong margins and high cash conversion; and (vii) seasoned leadership with extensive industry experience and proven execution track record.

Undisputed global leader across various niche and growing segments

We operate in several segments, including in the food, beverage, and pharmaceuticals segments, which are among the largest segments of the global packaging machinery market. In particular, we estimate that the food and beverage segments together account for approximately 65% of the total market, amounting to $44 billion in terms of revenue. According to our estimates, the food segment grew at a compound annual growth rate of 4% from 2011 to 2021 and between 9 and 14% from 2019 and 2022, respectively, while the beverages segment grew at a compound annual growth rate of 4% from 2011 and 2022 and between 10 and 15% from 2019 to 2022, respectively. We estimate that the pharmaceuticals packaging machinery market, which is also our key reference market, has demonstrated the strongest growth historically, with a compound annual growth rate of 6% from 2011 to 2021 and between 10 and 15% from 2019 to 2022.

According to our estimates, these segments in which we operate are projected to continue to grow at a compound annual growth rate between 7 and 8% (for food and beverage) and between 8 and 9% (for pharmaceuticals) between 2022 and 2027. For additional information on the markets in which we operate, see "*Industry.*"

We believe we are an established market leader across many growing niches. Although the overall global packaging machinery industry is highly fragmented, we claim market leadership in multiple niches in each of our reference markets. Within the pharmaceuticals packaging machinery market, we believe we are one of the leaders in several niches (blister, capsule filling, tableting, coating, filling, counters and freeze dryers) whereas in the consumer packaging machinery market we believe we are the market leader and estimate our market share to be approximately 70% in the tea and dairy niches.

Within these reference markets, we differentiate ourselves from our competitors primarily through (i) the scale and breadth of our product and service offerings, (ii) our large, high-quality, and loyal existing customer base, which includes leading pharmaceutical and consumer products companies, (iii) our wide geographic coverage, (iv) our long history and experience in the business, (v) our best-in-class technology, and (vi) our unique, flexible supply chain that drives superior delivery times.

Attractive, regulation driven end markets, underpinned by steady long-term growth drivers and high entry barriers

The reference markets that we primarily serve have steady long-term macro trends supporting future growth, which include: (i) changing demographics and an aging society; (ii) increasing medical spending and attention to healthcare and well-being; (iii) moving towards sustainable and ethical consumption practices; (iv) increasing emphasis on convenience and on-the-go lifestyles; (v) increasing regulatory requirements; (vii) increasing product safety concerns; and (vii) growing demand for factory automation and digitally-enabled Industry 4.0.

The packaging machinery market has demonstrated that the resilient growth is driven, in part, by the fact that packaging machinery plays a key role in both driving customers' revenue growth and keeping their costs down, while ensuring quality and reliability. In addition, the After-Sales market is characterised by non-discretionary expenditures for customers and lead to demand resiliency in any market cycle. After-Sales revenue contributes to a recurring revenue stream and is driven by a growing installed base and timely maintenance along with swift response times.

While steady long-term macro trends support growth of the markets generally, market leaders are protected by significant barriers to entry. The main barriers to entry that protect our well-established leading position in our key markets include: (i) increasing hygiene and safety requirements coupled with reliability; (ii) continuous need to invest in technology within the industry; (iii) increasing emphasis on sustainability alongside stringent recycling regulations; (iv) customized and complex requirements for large and medium sized customers; (v) growing need for quality and reliability in relation to mission critical services; (vi) strong service network with close customer proximity; (vii) high costs associated with unscheduled downtime; and (viii) integrated systems with the requirement of know-how of the entire production line.

We believe that our presence in end markets with steady long-term growth trends and high barriers to entry can help us enjoy continued consistent growth in revenue and profits.

Technology leadership, innovation driven DNA and end to end offering driving customer entrenchment

We are at the forefront of technological innovation, continuously improving our machine capabilities and efficiencies while ensuring highest standards of quality and reliability. We have an end to end offering right from component sourcing to design, manufacturing, assembly and testing of complex machines. We also complement our Original Equipment business with After-Sales support. Our end-to end offering along with swift and quality service drives customer entrenchment. Our core offering is focused on product filling and primary packaging industries which have higher need for innovation and where only a few players are able to compete thereby resulting in a loyal customer base. Primary packaging is at the core of all packaging operations and usually has the most complex machinery across the entire line.

We are focused on the highest-value added segments of the value chain which require significant technical expertise and process know-how. Our technology leadership is demonstrated by our 3,000 patents and enabled by a 7,000 strong workforce that is 88% highly educated (i.e., 88% have a high school diploma or university degree) and with a focus on R&D (i.e., 22% are currently working in the R&D division).

Our engineering excellence also enables us to deliver highly-customized products which can command higher profit margins. We have also fostered a diverse and collaborative network of suppliers. The tight integration of these suppliers with our operations has enabled us to centralize procurement and enterprise resource planning systems, and provides us with higher operational flexibility, lower delivery time, limited capex need and a more variable cost base, each of which is a significant competitive advantage.

Well diversified, long standing and solid customer relationships.

Our customers are spread out geographically, with Italy, Europe (excluding Italy), North America, Asia and Middle East and the rest of the world accounting for 12%, 39%, 21%, 17% and 10% respectively, of our revenue for the year ended on December 31, 2023. Our customers are also highly diversified segmentally where Pharmaceutical, Consumer and Automation constitutes for 43%, 40% and 17% respectively, of the revenue for the year ended on December 31, 2023.

Our customer base is highly diversified and includes several blue chip customers including AstraZeneca, Johnson & Johnson, Merck, Nestlé, Novartis International, Pfizer, Sanofi, ThermoFischer, and Unilever. A majority of these clients have been our customers for more than 20 years, ordering with us since the 1990s.

While we have solid customer relationships with large multinational companies, we are not overly reliant on any customer; in 2023 revenues from our top-10 customers represented only 12% of our total revenues. This diversification further mitigates the risk of exposure to any specific client, geography, or industry.

Recurring revenues driven by strong aftermarket focus and fast-growing backlog

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

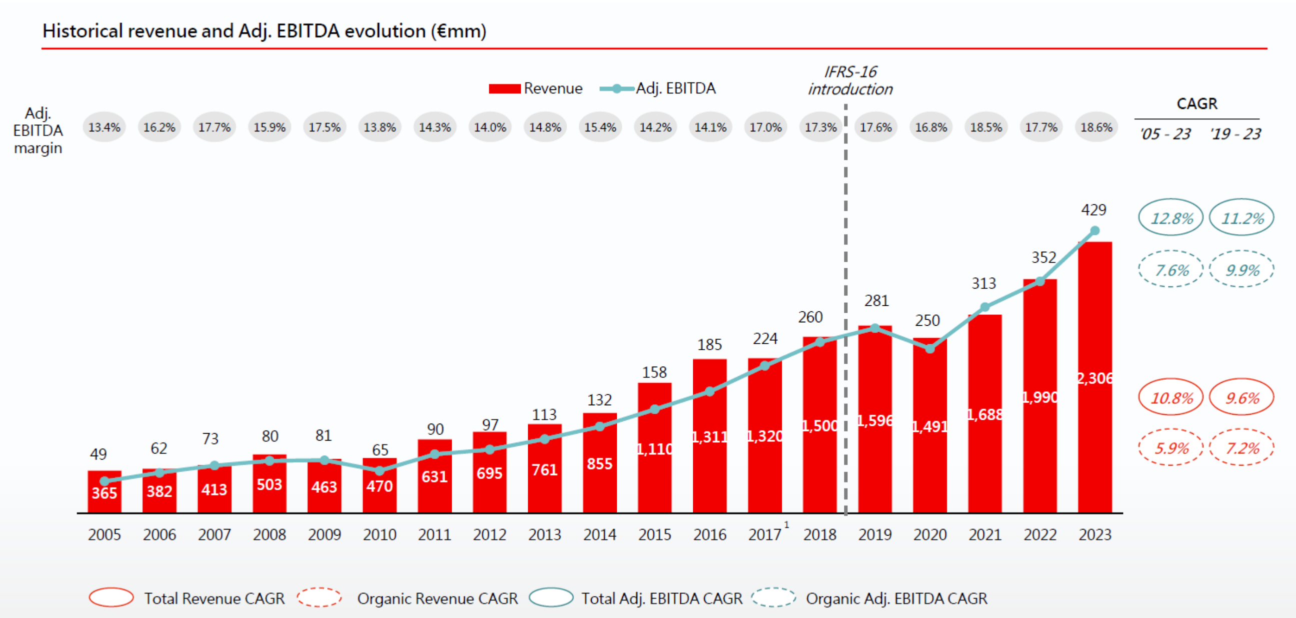
Our After-Sales business is characterized by recurring and stable revenue, and higher margins. It has historically grown in line with our installed base of original equipment, which presents us with regular opportunities to supply our customers with replacement parts and services. From 2021 to 2023, our After-Sales business has consistently represented more than 30% of our revenue, growing in line with our expanding installed base of machinery. Furthermore, due to its higher profitability compared to our Original Equipment business, our After-Sales business has represented, on average, 48.5% of our total gross profit over the same period. The resilience in the After-Sales business is due to the overriding need of customers to avoid downtime, leading to predictable expenditure on spare parts and maintenance (including predictive maintenance) and our ability to deliver After-Sales services remotely.

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

Our Backlog has grown from December 31, 2021 to December 31, 2023 at a compound annual growth rate of 13.9% from €1.1 billion to €1.4 billion. This substantial and increasing Backlog provides several key benefits, including: (i) future visibility of revenue (*e.g.*, we estimate that our Backlog as of December 31, 2023 provided approximately 9 months of forward revenue visibility); (ii) increasing revenue coverage (*e.g.* for the years ended December 31, 2021, and 2022, our Backlog as of the end of the year represented 80.9% and 90.0% of the next year's revenue respectively excluding After-Sales revenues); (iii) upfront non-refundable cash payments (up to 30% of our order value is paid upfront by customers, thus locking in future revenue and strongly disincentivizing customers from cancelling their orders); and (iv) an optimally budgeted cost base, tailored in advance on expected future production, thus allowing flexibility in economic or business downturns.

Highly resilient and attractive financial profile with strong margins and high cash conversion

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



Note: 2005-2023 CAGR information for organic revenue and organic adjusted EBITDA is computed based on our Group perimeter as of December 31, 2005 and excluding contributions to our consolidated revenue and Adjusted EBITDA, respectively, of companies and businesses acquired following such date. 2019-2023 CAGR information for organic revenue and organic adjusted EBITDA is computed based on our Group perimeter as of December 31, 2019 and excluding contributions to our consolidated revenue and Adjusted EBITDA, respectively, of companies and businesses acquired following such date.

Our financial track record is indicative of an attractive underlying business model that has delivered consistent revenue, revenue growth, EBITDA, EBITDA Margin, and cash flow generation (*i.e.*, EBITDA, less capital expenditures). As a result of these developments, our revenue from contracts with customers grew from €1,688.3 million in 2021 to €2,305.8 million in 2023, representing a compound annual growth rate of 16.9%. Adjusted EBITDA has grown from €312.8 million in 2021 to €429.0 million in 2023, representing a compound annual growth rate of 17.1%. On an organic basis (i.e. taking into account revenues and Adjusted EBITDA generated by our Group perimeter as of December 31, 2019 and excluding contributions of companies and businesses acquired following such date), revenue and Adjusted EBITDA grew by 7.2% and 9.9% respectively since 2019. In 2021, 2022, and 2023, the Adjusted EBITDA Margin was 18.5%, 17.7%, and 18.6% respectively. Cash flow generation has increased from €193.2 million in 2021 to €305.6 million in 2023. Our asset-light business model, which entails the outsourcing of low value manufacturing activities, along with our limited capital expenditure requirements and highly variable cost base (with the majority of our total costs of sale being variable), drives our high cash flow generation, with an average cash conversion rate of approximately 66% from 2021 to 2023.

Seasoned leadership with extensive industry experience and proven execution track record

Our business is supported by our highly experienced management team, which has led the strategic expansion of both our product and services offerings and our geographical reach. Our experienced senior management team, consisting of our Chief Executive Officer, Alberto Vacchi; Chief Financial Officer, Sergio Marzo; Chief Global Business & Operations Officer, Massimo Marchesini; and, Chief Corporate Organisation Officer, Massimo Ferioli, have each been with us for at least 25 years. Our senior management is supported by a functional management team whose members have been with us for more than 25 years on an average.

Since January 1, 2020, our management team has increased business scale by 1.5x in terms of revenue and almost doubled our Adjusted EBITDA. The team has delivered best-in-class organic growth: our Adjusted EBITDA increased, from €312.8 million in 2021, to €351.9 million in 2022 and €429.0 million in 2023 and over the same period our Adjusted EBITDA Margin increased, from 18.5% in 2021, 17.7% in 2022 and 18.6% in 2023. The team has an in depth understanding of the packaging machinery industry, an extensive network of industry relationships that span across the globe, and the ability to deliver high-quality and innovative products and services thereby reinforcing our technology driven DNA. We also intend to draw from the market expertise, business relationships, knowledge and experience of our historical shareholder, the Vacchi family, which will continue to be represented on the management team and remain invested, together with our new shareholder BDT & MSD Partners. Lastly, we have proven our ability to attract the right talent for the company with 7.5% employee churn rate and fully adopted an ESG-driven agenda at the heart of all our operations.

Our Strategies

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

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

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

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

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

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

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

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

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

We intend to pursue selective value-accretive bolt-on acquisition opportunities that align with our overall strategic objectives in order to reinforce our global market leadership position and penetrate fast-growing niches. We have successfully completed and integrated several strategic acquisitions such as GIMA S.p.A. in 2010, Sympak Corazza Group in 2011, Ilapak Group in 2014, Komax Group (Medtech) in 2016, Tissue Machinery Company in 2018, ATOP in 2019, IMA Dairy & Food Holding GmbH in 2022, and Phoenix and Mespic in 2023. These acquisitions were executed at attractive multiples that fuelled our historical growth, which was already supported by a strong organic growth. Our acquisitions helped us acquire expertise that would be more difficult or require a longer time to develop in-house and allowed us to diversify our product portfolio, offer more integrated solutions, and expand geographically. The packaging industry is characterized by a fragmented market with a long tail of small companies. As such, we believe that our M&A platform positions us well to benefit from consolidation of smaller players in our industry. Our team is fully dedicated to M&A activity and follows acquired companies from deal origination to post-deal integration and transformation. We are continuously evaluating potential targets for value-creating M&A opportunities. We intend to maintain our efforts on acquisitions that directly or indirectly expand our presence and sales. By increasing our presence, we would be able to further serve our long-standing customers in those regions. We will also seek acquisition opportunities that add new technologies, generate cost synergies and unlock meaningful cross-selling potential.

Focus R&D investments on automation and materials handling

R&D and innovation are at the core of our value proposition to customers. Our research and development division is focused on improving existing products, creating new products based on customers' needs and innovating our production processes. We intend to focus on maintaining our leading position at the forefront of technological advancement in our market. To do so, we plan to continue investing in our R&D activity and maintain around 5.3% of our revenue investment in R&D each year. We believe these investments will pay off as we can exploit market demand that is less price-sensitive, but rather is focused on improvements in technology and time-to-market.

We will continue focusing a substantial part of our R&D resources on automation and digitalization, that are driving machine complexity across all end markets, through increased inclusion of sensors and software as a means to increase machine productivity. In addition, health and safety measures on production lines have led to changes in machinery requirements as businesses adapt to new workspace regulations. We believe our leading position in producing fully automated production lines across a range of end markets, our reputation for quality and innovation, as well as our longstanding relationships with blue-chip customers, positions us to take advantage of these developments.

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

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

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

Maintain strong focus on cash flow generation

We continue to improve the cash flow generation of our business, which due to its low capital intensive nature, has allowed us to achieve an average cash conversion rate of approximately 66% between 2021 and 2023 and can ultimately support our deleveraging efforts in the future. As part of this strategy, our management intends to continue its focus on profitability, disciplined working capital management, and targeted capital spending. Consistent with our historical performance, we intend to maintain a disciplined approach to growth by exploiting the favorable trends in our industry and adopting a selective acquisition strategy. We also plan to continue strengthening and expanding our efficient distribution platform, geographical reach and scale to extract further synergies, improve operating leverage, and maintain an attractive profitability and cash flow profile.

Our History

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

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

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

In 2021, after 25 years on the Milan Stock Exchange, the Issuer went private following a successful public tender offer by IMA BidCo S.p.A., an entity owned, indirectly, by BC Partners LLP and the Vacchi family. The Issuer was taken private during the height of the Covid-19 pandemic to enable the Issuer to take advantage of opportunities for development and growth, including through the completion of major acquisitions and expansion into new markets. In 2021, following the delisting, Sofima Holding S.p.A. and IMA BidCo S.p.A. merged with and into the Issuer, thereby streamlining the group's structure. For further information related to the group's structure, see "*Summary Corporate and Financing Structure*."

In 2022, we completed the purchase of a stake in IMA Dairy & Food Holding GmbH, of which we already held 40%; in January 2024, we purchased the remaining 25.1% and as a result IMA Dairy & Food Holding GmbH is a wholly-owned subsidiary of the Issuer. In 2023, we acquired 60% of Phoenix Italia S.r.l., a company that develops, manufactures and sells labelling solutions for distributors, system integrators and original equipment manufacturers, covering various industries with a focus on logistics, and acquired 70% of Mespic S.r.l., a company that develops, manufactures and sells tailored made machines.

In 2023, BDT & MSD Partners acquired BC Partners' indirect shareholding in the Issuer. Following the transaction, the Vacchi family retains voting control of the Issuer. See "*Principal Shareholders.*"

Our Products, Services and Brands

Across each of our three segments, we generate revenue from:

(1) original equipment design and assembly ("**Original Equipment**") and

(2) after-sales products and services ("**After-Sales**").

Original Equipment consists of designing, developing, assembling and installing complex machinery for companies in the pharmaceutical, food and beverage and other industries. We tailor our products to meet the business needs of our customers, from customized functionality and need to integrate with existing operations to the requirement for our machinery to be designed to fit in the customers' physical production facility. The quality, range and expertise underpinning our Original Equipment products is central to our success.

After-Sales consists of providing existing customers with services, support and machinery parts relating to sold products, including (i) distribution and assembly of spare parts for the machinery, (ii) design and distribution of change parts and upgrade kits, (iii) highly specialized technical assistance on machines and packaging lines and (iv) training services, feasibility studies and ancillary services. Customer demand for After-Sales products and services is significant and recurring and is therefore a highly attractive and substantial source of business for us. We believe our high-quality and highly responsive After-Sales offering is a distinguishing factor that customers value because they often operate our machinery continuously and need expedient and effective support to minimize downtimes in their production schedules.

The following table sets forth the breakdown of our revenue by business for the years ended December 31, 2021, 2022 and 2023:

	For the year ended December 31,		
	2021	2022	2023
		(€ millions)	
Original Equipment	1,155.8	1,373.2	1,553.9
After-Sales	532.5	617.2	751.9
Total	**1,688.3**	**1,990.3**	**2,305.8**

Original Equipment

We are a leading company in the designing, developing, assembling and installing complex machinery for companies in the pharmaceutical, food and beverage, tobacco and other industries. Our customers, who mainly operate in the pharmaceutical, tobacco consumer goods and automation end markets, typically face strict regulatory and safety requirements. Our decades of experience, technical know-how and long-standing relationships with our customers enable us to meet their varied needs. We design bespoke solutions for customers according to their operational, regulatory and safety requirements. Our customers value our customization capabilities, our long-standing and highly reputable engineering expertise and the superior technology and reliability of our products.

Our Original Equipment sales generated €1,155.8 million, €1,373.2 million and €1,553.9 million, or 68.5%, 69.0% and 67.4% of our revenue, for the years ended December 31, 2021, 2022, and 2023, respectively.

Our core product offering is focused on product filling/production and primary packaging machinery, which constitute most attractive steps of packaging processing chain, with the largest value-add and hence, the highest margins. We are also present in certain highly attractive niche markets for secondary packaging and end-of line packaging machinery, which are used in the final steps of the packaging processing chain. We also produce advanced technology lines for automotive, e-mobility, electrical motors, and medical devices with tailored solutions to meet quality and production requirements of the relevant assembly processes.

A description of the products we offer through our Original Equipment business is set forth below.

Product Filling/Production. Product filling/production machinery is used in the first step of the packaging processing chain. We sell our product filling/production machinery primarily to companies operating in the pharmaceutical, tobacco, and e-motor end markets. To customers in the pharmaceutical end market, we sell machinery for the production of solid form pills holders, freeze-dryers and liquid form/injectable products. To customers in the tobacco end market, we sell machinery for the production of e-cigarette parts. To customers in the e-motor end market, we sell machinery for the production of starters and rotors used in the assembly of electric motors. In addition, such machinery is typically used as part of complex automated production lines which we also design and assemble for certain customers. Customers in these end markets choose their product filling/production machinery primarily based on the ability to meet stringent regulatory and safety requirements, reliability and reputation, in addition to adaptability to a large number of processes, customizability, and cost per production unit. Given these characteristics, product filling/production machinery command highly attractive margins and a very loyal customer base.

Primary Packaging. Primary packaging machinery is used in the second step of the packaging processing chain and consists in the production of machinery making the materials that first envelop the relevant products. We sell our primary packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. To customers in the pharmaceutical end market, we sell machinery that manufacture the aluminum and plastic sheets that hold pills. To customers in the tobacco end market, we sell machinery that are used to produce packaging for both traditional cigarettes and e-cigarettes. To customers in the consumer goods end market, we sell machinery that are used in the production of a wide range of products, including coffee capsules, tea bags, vacuum sealed bags, and flexible wrapping for goods. Customers in these end markets choose their products based on safety, regulatory compliance (particularly for pharmaceutical firms that must maintain sterile production lines), reliability, flexibility, capability of integration with the entire packaging production line, customizability, production speed, and size. Given these characteristics, the market for primary packaging machinery is characterized by attractive margins, limited competition, a very loyal customer base, and a high value placed on complex flexible machinery.

Secondary Packaging. Secondary packaging machinery is used in the third step of the packaging processing chain and consists of the production of machinery making the materials that are outside the primary packaging, and may be used to prevent theft or to group primary packaging together. We sell our secondary packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. Customers in these end markets choose their products based on production speed, reliability, and the size of the machinery. Given these characteristics, the market for secondary packaging machinery is characterized by much simpler machinery (e.g., there is no need for sterility or cross contamination control) and greater competition. As a result, we focus on select high-value niches like cartoning, wrapping and labeling of tobacco and pharmaceutical products, which allows us to achieve attractive margins.

End-of-line Packaging. End-of-line packaging machinery is used in the final step of the packaging processing chain—the manufacture of and packaging goods from across the spectrum of end markets we serve using large boxes for bulk handling, warehouse storage, transport shipping and distribution to retailers as well as final packaging used for small items (*e.g.*, boxes for individual units of over-the-counter pharmaceuticals). We sell our end-of-line packaging machinery to companies operating in the pharmaceutical, tobacco and consumer goods end markets. Customers in these end markets choose their products based on price, production speed and reliability. Given these characteristics, the market for end-of-line packaging machinery is characterized by greater competition and low customization. Customers often also choose a single supplier for an entire line covering the full packaging processing chain, making their decision on primary packaging capabilities. As a result, we focus on select niches like packaging for small pharmaceutical products, which allows us to achieve attractive margins.

Automation. Our automation solutions include advanced technology lines for automotive, e-mobility, electric motors, and medical devices. We produce tailored solutions to meet quality and production requirements of the relevant assembly processes. With respect to automotive solutions, we produce completely automated lines for complex assembly processes in the automotive market such as e-motors, clutches, and auxiliary motors. With respect to e-mobility, we provide innovative e-axle and battery pack assembly lines for the full spectrum of electric, hybrid, and plug-in hybrid vehicles and anticipate delivering fuel cell solutions within 2024. For the electric motors market, we provide a top class customer base assembly lines for the production of stators and rotors for industrial applications, household appliances, and power tools, focusing on the highest value-added segment (i.e., e-traction). For the medical devices market, we deliver standard and highly customized assembly lines for medical devices for (i) drug delivery (e.g., inhalers and injectables), (ii) diagnostics (e.g., point of care and in vitro), (iii) wearable (e.g., delivering and monitoring devices), (iv) tubing sets (e.g., infusion and extension sets), and (v) surgical instruments (e.g., sutures).

After-Sales

We provide customers with an extensive range of After-Sales products and services, which include the design, distribution and assembly of spare parts and upgrade kits for our Original Equipment machinery, highly specialized technical assistance on machinery and packaging lines, training services, feasibility studies and ancillary services. These products and services represent non-discretionary expenditures for customers that are looking for high quality, reduction of machine downtime and superior technical support. Our After-Sales business is closely connected to our Original Equipment business, given that an increase in our installed base directly drives an increase in the demand for our After-Sales products and services.

Due to the highly bespoke nature of our products and regulatory requirements, our customers typically prefer to use our After-Sales products services rather than relying on third party suppliers. This is particularly evident in highly regulated markets (e.g. pharmaceutical and tobacco), where the technological component, together with quality and reliability, is a strong barrier to entry for competitors. As a result, our After-Sales business is characterized by highly recurring and growing revenue, protected by our strong longstanding relationships with our customers.

Our After-Sales business generated €532.5 million, €617.2 million and €751.9 million, or 31.5%, 31% and 32.6% of our revenue, for the years ended December 31, 2021, 2022 and 2023 respectively.

A description of the products and services we offer through our After-Sales business is set forth below.

Traditional Products and Services. The traditional products and services that we offer with respect to our previously installed Original Equipment include (i) spare parts, (ii) format parts, (iii) technical assistance and (iv) other services. Spare parts are replacement mechanical parts that are needed on a recurring basis. Format parts, by contrast, are larger component parts which determine the shape of our customer’s products. Technical assistance services can be varied, but primarily consists of maintenance work on previously installed Original Equipment.

We engage in R&D activities tailored to our customers’ needs, in addition to the sale of ordinary and extraordinary spare parts, change parts and improvement kits. We also arrange visits with our engineers at our customers’ facilities in order to inspect the installed machines and to provide basic operational training. Given the importance of our After-Sales business in maintaining a strong relationship with our customers, we are highly focused on training our technicians to be well-equipped to meet customer demands quickly with skilled technical assistance both onsite and remotely.

Industry 4.0 Services. The Industry 4.0 services that we offer include (i) predictive maintenance, (ii) operational efficiency improvement and (iii) digital/data services. Predictive maintenance includes the use of built-in sensors that can provide real time wear and tear alert to the customer. Operational efficiency improvement includes consulting services aimed at closing the gap between actual and optimal machine usage. Digital/data services include software upgrading, which are increasingly significant as an increasing number of the Original Equipment that we sell are digitally/sensor-enabled.

The majority of the Original Equipment we offer for sale is digitally/sensor-enabled, allowing us to interact with them remotely through a secure connection for maintenance and repairs and to implement specific adjustments when needed. This increasingly large portion of our Original Equipment enables us to deliver high-quality service to our customers irrespective of their location, expedite spare parts and format parts delivery and reduce machine downtimes. This also contributes to reduction in idle work costs since we typically do not need to visit our customers' premises after we are contacted for technical assistance for certain activities (i.e. software updates, issue assessment and routine checks). If necessary, through our global footprint we can provide on-site services in a relatively short timeframe or major maintenance and/or repairs and upgrades.

Business Model

We generate our revenue from the design, assembly and installation of complex machinery for the processing and packaging of pharmaceuticals, cosmetics, food, tea and coffee and we provide our customers with (i) design and development of highly customized packaging machinery and (ii) After-Sales products and services.

We operate in an industry involved in supplying customized goods and services based on technical specifications requested by customers and, therefore, our business model requires significant investments in R&D, as well as the adoption of internal policies for supply management, multi-vendor policies (though in some cases we rely on a single supplier for custom-made components), as well as policies and business guidelines to prevent fraud.

Research and Product Development

Our R&D efforts are aimed at developing profitable products and solutions for our customers with whom we often partner to develop products for their specific packaging needs. We believe that our R&D competencies, especially for innovative solutions, such as our capabilities to develop highly customized state-of-the art machines, thereby offering higher flexibility and reliability, differentiate us from our competitors. We develop our technology in-house and also assemble in-house, which guarantees continuous process improvement, increased efficiency and worldwide support with the same high standards as in our production facility. We also believe this creates barriers to entry for potential new market participants.

Our R&D team works closely with customers in all key areas of product development providing four different responses, based on the level of customization required:

(A) when little or no product customization is required, our role consists of evaluating the request from our customer and reply to the bid with our offer;

(B) when one of our customers' requests a medium to high level of customization and provides us with technical specifications of the product desired, we first undertake a feasibility study, which is usually paid by the customer, to improve the product design or to customize the product set-up. Pricing for the manufacturing of the related machine or line is determined only after the successful completion of the feasibility study;

(C) if customization needs are high, we conduct joint research with our customers, offering full support to them and aiming at completing the feasibility study successfully. If product manufacturing eventually proves to be not viable, we seek payment of the research services rendered to the customer; otherwise, if the feasibility study is successful, we will determine a price to provide the relevant machine or line; and

(D) finally, we are also a development partner for many of our customers, working with them to develop new products that meet the needs of their own R&D and marketing activities.

We have strategically positioned our R&D department inside our production facilities to centralize the development of our advanced technologies, components and process technologies and minimize costs. Our R&D employees also work, on a day-by-day basis, with externally contracted engineers and consultants.

We carry out all necessary tests with the aim to ensure the safety operation of our products and to gain valuable insights for further developing and improving our machines and packaging lines. Our R&D efforts also follow the major trends towards enhanced flexibility to allow quick replacement of change parts.

In 2023 R&D costs expensed to the income statement amounted to €80.1 million, as compared €70.2 million in 2022, representing 3.5% of our revenue. R&D costs for the year ended December 31, 2022 represented a slight increase compared to €61.0 million for the year ended December 31, 2021 and represented 3.6% of our revenue. R&D costs primarily include the research costs incurred on the technological upgrading and normal revamping of standard products. Our approach to R&D expenditure has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market position, especially in difficult niches, highly demanding in terms of regulation and safety standards (as opposed to mass market packaging).

Sales and Customers

Sales

We manage our sales directly or through a wide network of sales representatives that includes both branches and agents. In order to be more focused on our customers' individual approaches, we have established strong and reliable relationships with customers on a global scale to reflect our customers' solid international presence.

Contracts are individually negotiated with each customer to better adapt to customer's differing needs, but typically follow one general format. Our broadest agreements are "master supply agreements," according to which we agree to supply equipment, including secondary equipment as well as related spare parts, change parts and kits; and our "development agreements," according to which we agree to work consistently with the customer to develop many products for use in their production chain.

Backlog and New Orders Intake

Our Backlog consists of the contracted future revenue relating to all signed orders. Our customers pay up to 30% of the total invoice in the early stages of the relationship by paying the first tranche of the agreed price. New orders intake represents the value of orders that are added to the Backlog during the relevant period and also includes cancellations of work or changes to existing contracts already in the Backlog, which helps illustrate our annual Backlog turnover.

In particular, when we include the amount of expected revenue and income from a contract in the Backlog, it assumes that each party will satisfy all of its respective obligations under such contract and payments to us under the contract will be made on a timely basis consistently with the relevant payment conditions of each agreement. For contracts that are not for a lump sum, we estimate and update the related Backlog based upon the estimated amount of work to be completed through periodic consultation with the customer. Figures relating to projects for which we have not received purchase orders from customers are not included in the total Backlog.

We believe that our Backlog is a helpful indicator of the growth of our Original Equipment business and that it provides a useful trend of information and visibility for our short- and medium-term financial results.

The table below shows our Backlog for the years ended December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	**2022**	**2023**
		(€ million)	
Pharmaceutical	625.0	705.9	699.2
Consumer	289.1	362.0	403.1
Automation	196.4	331.4	338.2
Total Backlog	**1,110.5**	**1,399.3**	**1,440.5**

With regard to the methods of payment applicable to customers, these are agreed each time between the parties; however, up to 30% of the total invoice is paid by the client in the early stages of the relationship by paying the first tranche of the agreed price. See "*Presentation of Financial and Other Information—Non-IFRS Measures*," "*Risk Factors—Risks Factors Relating to Our Business and Industry—Our Backlog is subject to unexpected adjustments and project cancellations and is, therefore, not necessarily indicative of our future revenue or results of operations*" and "Management's Discussion and Analysis of Results of Operations and Financial Condition—*Key Factors That Have Affected Our Results of Operations—Greater Visibility from Backlog.*"

Customers

We sell our products to a large and diverse customer base globally. Our customer base comprises some of the leading companies in the pharmaceutical and tobacco industries, as well as some of the largest tea, coffee, dairy and food companies. Customers often operate machinery around the clock and are more sensitive to downtime avoidance than price, hence the primary focus of their purchasing decisions is on reliability and quality. Customers tend to select machinery from manufacturers with good service support, including, among other things, superior technical knowledge and ability to deliver spare parts in a timely manner.

Our large, high quality, loyal and long-standing customer base allows us to rely on recurring business from repeat customers and resilience of revenue due to strong order Backlog. In none of the past three years has any customer accounted for any significant percentage and there is no customer concentration with no single customer accounting for more than 4% of our revenue in 2023. This is primarily due to (i) complete lines and new machineries representing the main investment for the setup of any industrial plant; (ii) low turnover rate of machinery; and (iii) our ongoing relationship with customers being based mainly on technical support and maintenance. We work with our customers in order to tailor machines and offer a high degree of personalization. Most of the machines sold by us are customized to meet customers' specific needs. Customization generally involves modification of our standard machines to include functions such as secondary and end-of-line packaging.

In the three-year period 2021 to 2023, our top twenty customers have collectively accounted for less than 20% of our annual revenue. Though our customer base is diversified, we provide products and services to major international customers, such as Pfizer, AstraZeneca, Johnson & Johnson, Merck, Nestlé, Sanofi, Tetrapak, Unilever, Novartis, Alcon, ThermoFisher, GSK, Roche, Ely Lilly and Novo Nordisk and have maintained relationships with the first eight of these customers for more than 20 years.

Suppliers

We rely on a broad network of suppliers, both local, based in the Bologna packaging district, and global, for key raw materials and components. We have a large supplier base and we are not reliant on any single supplier for any component, nor have we signed framework agreements with any supplier. In none of the past three years has any single supplier accounted for any significant percentage and there is no supplier concentration. Our supplier network allows us to keep our capital expenditure and fixed costs base at a minimum and maintain high flexibility, while reducing delivery time and mitigating our exposure to fluctuations in raw material prices.

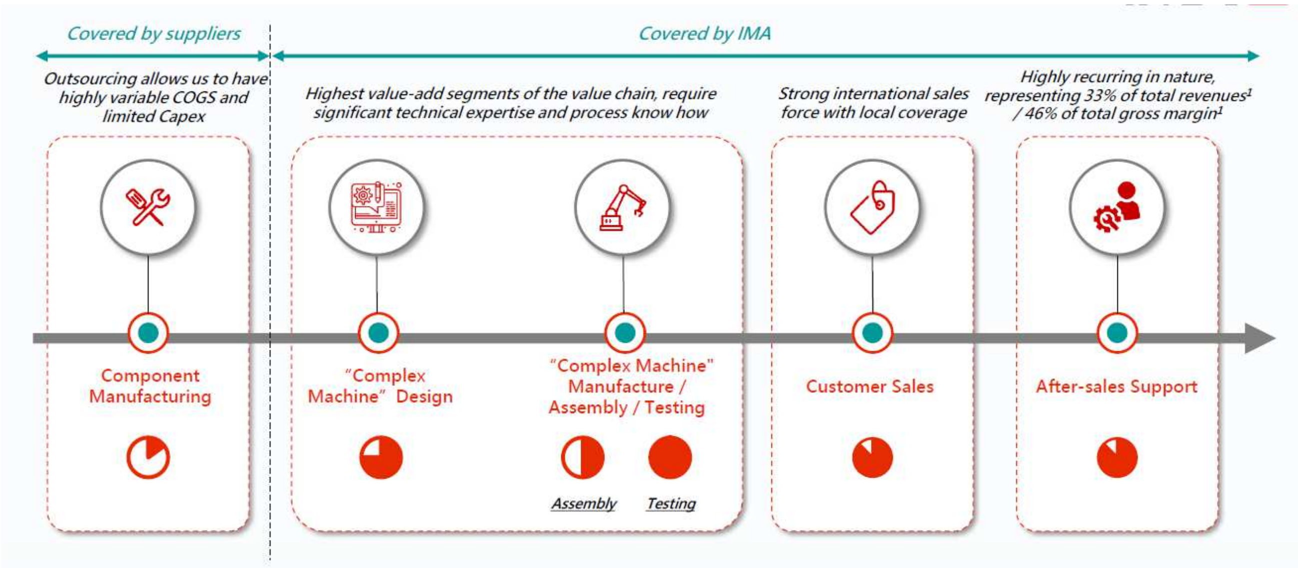
Our supplier procurement strategy is based on three basic concepts: (i) developing a core supplier base, (ii) supporting the supplier base structure and (iii) focusing on highly strategic projects. We monitor our supplier base carefully to develop a set of core suppliers.

We also engage in negotiations with global suppliers to build long-term relationships. Suppliers are selected with the aim to ensure they can provide adequate support to our manufacturing facilities. In addition, we purchase high-volume materials from local sources and develop local maintenance and assistance units to deal with any material and supply concerns. Finally, we involve suppliers early in our new developments to ensure they can provide the materials needed to realize our and our customers' visions for our strategic projects, developing close cooperation with the key suppliers for such projects.

For key components we rely on a network of possible suppliers that allows us to minimize costs and avoid assembly downtime. We purchase our key components from independent suppliers and consider our relationship with them to be strategic for our business. These key components commercial suppliers are leading players worldwide, such as Schneider Electric, Siemens, Stäubli, SKF and SMC. See also "*Risk Factors—Risk Factors Related to Our Business and Industry—We may face disruptions in our supply chain.*"

We also source from a network of local suppliers in which we have made minority investments. All those suppliers are independently managed businesses, but our investments give us strengthened reliability and long-term visibility.

While we rely on suppliers for component manufacturing, the remainder of the supply chain, which has a higher value-add and requires specific know-how and expertise, is directly controlled by us, as shown in the chart below:



Assembly/Quality Control

All of our quality check functions are carried out in-house within the assembly process, from our network of engineers and highly specialized technicians.

Our production facilities operate according to our manufacturing standards, designed to guarantee continuous process improvement, and allow for worldwide technological support with the same standards. We have developed an in-house production system for lean and efficient production with a culture based on continuous improvements. It provides a guideline for full control of the entire supply chain from receiving materials from our suppliers until the end product reaches the customer.

Our in-house production system has allowed us to gain control over key performance indicators, thus allowing us to protect our margins and reduce costs for our customers.

We also implemented an internal quality control system which covers the entire life cycle of our machines and packaging lines, from the initial research and development phase, through design, delivery and installation to post-sale support. See "*Risk Factors—Risk Factors Related to Our Business and Industry—Product defects may result in losses in revenue and/or reputational harm which could affect our earnings and, due to our warranties, result in increased costs.*"

A compliance checking system constantly traces all the relevant rules and regulations in order to ensure that the product is compliant with all applicable legislation and international standards in the same way in which our quality control system complies with Good Manufacturing Practices (GMP) and Good Automated Manufacturing Practice (GAMP) standards.

Test & Installation

Once the machine and/or the packaging line has been assembled, we perform a detailed inspection during which several tests are run in order to verify whether the machine and/or the packaging line is compliant with the specifications requested by our customer (a "factory acceptance test").

Following the positive result of the factory acceptance test, the machine and / or the packaging line is transported to the place indicated by the customer where highly specialized technicians install and complete another on-site test (a "site acceptance test").

Assets

Property, Plant and Equipment

Manufacturing Facilities

We have 54 manufacturing facilities sites located in 11 countries.

As of December 31, 2023, our material manufacturing facilities are located as follows: (i) 32 in Italy; (ii) six in the United States; (iii) three in each of Switzerland and Germany; (iv) two in each of Argentina, India and China and (v) one in each of the UK, France, Spain and Malaysia.

Employees

For our clients, we are not merely a supplier of products, but also a solver of complex problems via specifically designed solutions that are tailored to meet their individual requirements. This implies that all of our business processes, from preparing bids to providing After-Sales support, are conducted with an extremely low level of repetitiveness. Accordingly, the proper and smooth functioning of these processes depends on the initiative and pro-active approach of the individuals who carry them out, and on their ability to work together with everyone else in the organization. Because of this, our employees (more than 88% of which have a high school diploma or university degree) represent our principal asset and incorporate all of our knowledge and skill.

Because the knowledge and skills our employees possess is so valuable to us, we dedicate considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

Many of our employees, including those we employ in Italy, belong to organized labor unions. We generally enjoy mutually-beneficial relationships with the unions and have not experienced any threatened or actual work stoppages as a result of poor labor relations.

In 2023, the average number of employees of the Group was 7,055, which was an increase of 204 or 3.0%, compared to 6,851 in 2022.

The following table sets forth the regional breakdown of number of employees as of December 31, 2023:

	As of December 31, 2023	
	(# employees)	*(%)*
Italy	4.152	58.9
India	372	5.3
United States	557	7.9
Switzerland	386	5.5
China	266	3.8
Germany	506	7.2
Argentina	173	2.5
Eastern Europe	89	1.3
United Kingdom	104	1.5
Malaysia	59	0.8
France	193	2.7
Brazil	44	0.6
The Netherlands	35	0.5
Spain	99	1.4
Japan	10	0.1
Israel	7	0.1
Thailand	3	0.1
Total	**7.055**	100.0%

Our employees are allocated across our organizational structure. Approximately 18.9% work in sales (including both pre-sales and after-sales), 22.4% work in our research and development laboratories, 12.6% work in corporate functions (e.g., administration, information technology, procurement, quality control, human resources, etc.), and 46.0% work in production and logistics.

Recruitment

Our recruitment and selection process is aimed at selecting candidates that best respond to the needs of each department. Our recruitment campaigns may be conducted either directly or through the use of approved recruitment agencies. For junior positions, the process begins at university level with the selection of the best candidates for placements and apprenticeships by our internal assessment center. In any case, in case of vacancies we tend to prioritize internal candidates.

Remuneration and benefits

Our remuneration system is based on the "pay for performance" principle, designed to encourage and reward high levels of performance, aligning managers' interests with those of our shareholders by means, for example, of stock option plans. Our remuneration strategy aims to ensure that pay corresponds to the responsibilities of each role and individual performance, optimizing and retaining key resources while remaining in line with national employment legislation. The remuneration system is composed of basic pay, variable short-term compensation (variable annual bonus), additional benefits (such as pension contributions and reimbursement of medical expenses) and variable mid-to-long term compensation (mainly represented by stock option plans). The variable short and mid-to-long term payments are subject to the achievement of measurable financial results, which are made known in advance to potential beneficiaries.

Training and development

We consider the development of human capital as key to the success of our business. Therefore, we seek to foster our employees' personal and professional growth through various initiatives, such as individual training, on-the-job training, coaching, mentoring and one-to-one counseling. In particular, we aim to support our employees in the development of technical, managerial and linguistic skills, as well as specialized and professional skills.

Health and safety

The Issuer takes care of safety and the working environment by seeking to comply with current legislation and through specific training designed to create a "culture of safety." The principles of that culture are applied by all of our companies throughout the world. Since 2019, we have increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. In our pursuit of a safer workplace, we involve all those who are in charge of the various production facilities in the effort. In addition to holding leaders accountable, we seek to provide specific information on a timely basis to our employees about the risks to which they may be exposed, together with training designed to inculcate the use of safe working practices.

Intellectual Property

We have obtained patents and licenses to protect our products, their design and our manufacturing process and we are continuously seeking to secure further patents on our developments. We hold approximately 3,000 patents and patent applications worldwide. See "*Risk Factors—We could be unsuccessful in adequately protecting our intellectual property, technological know-how and trademarks and there is a risk that we might infringe the intellectual property rights of others*."

Insurance

We maintain comprehensive insurance policies with respect to product liability, environmental liability, all risk property and business interruption, cargo and transport, industrial legal aid, fidelity, electronic, cyber risk policy, credit, as well as health and accident covering most subsidiaries and operations to the extent we consider appropriate or otherwise required by applicable law. We believe that we maintain a level of insurance that is appropriate for the risks of our business and is comparable to that maintained by other companies in the packaging industry. We are not currently involved in any material claims under our insurance.

Information Technology

Our critical information technology systems are largely operated and hosted by IMA (core systems), SAP (ERP system), Zucchetti (Payroll), Microsoft (email and collaboration platform), and Vodafone (mobile communication). Our core systems are centralized in data centers located in Ozzano dell'Emilia (BO). Other non-core IT systems are operated by PTC and IUNGO.

Regulation

Overview

Our business is regulated in all of the jurisdictions in which we operate and we are required to hold a wide variety of licenses and permits. Our manufacturing facilities and operations are subject to both national and international regulatory regimes. In the member states of the European Union (the "**Member States**"), the regulatory environment of our business activities is shaped by EU directives and regulations, which are either implemented in the individual Member States through national legislation or have direct application to the states or individuals. In the United States, our facilities are subject to federal, state and local environmental laws and regulations. Regulations that affect our operations mostly relate to areas of environmental protection, product safety and quality, occupational health and safety, industrial hygiene and plant safety.

Environmental, health and safety ("**EHS**") laws and regulations govern our facilities and our operations, including: (i) the storage, handling, treatment and disposal of hazardous substances and wastes; (ii) water discharges; (iii) air emissions; (iv) human health and safety; (v) the remediation of releases of hazardous substances and of contaminated facilities; and (vi) the manufacture, sale and use of our products. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to comply with current and future EHS laws and regulations, which tend to become more stringent over time.

Our environmental management systems are intended to ensure that we both comply with applicable environmental requirements and minimize environmental risk. We actively address EHS issues in connection with our operations and properties, and we believe that we have systems in place to ensure that EHS costs and liabilities will not have a material adverse impact on us. Nevertheless, estimates of future EHS costs and liabilities are inherently imprecise, and the imposition of new or unanticipated costs or obligations could have a material adverse effect on our business, financial condition or results of operations.

The following summary highlights some of the key EHS laws and regulations that apply to our business.

REACH Classification, Labeling and Packaging and Similar Regulations

The European Union requires control of the use of chemical products within the European Union by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH regulation (Regulation (EC) No 1907/2006 of December 18, 2006, as last amended by Commission Regulation (EU) 2022/586 of April 8, 2022) requires the registration of all chemicals manufactured in or imported into the European Union (either alone, in mixtures or in articles). Although REACH compliance is primarily the responsibility of our suppliers or the producers of chemical raw materials, we are also affected by REACH as a "downstream" user of REACH-regulated substances.

In the United States, Toxic Substances Control Act ("**TSCA**") ensures that chemicals manufactured, imported, processed, or distributed in commerce, or used or disposed of in the United States do not pose unreasonable risks to human health or the environment. Chemicals not listed on the TSCA registry or otherwise exempted cannot be imported into or sold in the United States, until registered with the EPA. TSCA sets forth specific reporting, record keeping and testing rules for chemicals (including requirements for the import and export of certain chemicals), as well as other restrictions relevant to our business.

In other jurisdictions in which we operate, including the United Kingdom, regulations similar to REACH and TSCA are in place to regulate labelling and packaging of certain products.

Air Emissions

Our U.S. facilities are subject to the Clean Air Act, which addresses threats to human health and the environment from emissions of pollutants into the air. The Clean Air Act establishes air quality standards and sets emission limits principally for carbon monoxide, lead, nitrogen oxides, particulate matter, ground level ozone and sulfur dioxide and regulates the emission of certain designated hazardous air pollutants. It authorizes the EPA to regulate hazardous air pollutant emissions from major stationary and mobile sources, such as large industrial sources, and phases out the production of substances that deplete stratospheric ozone. Recently, the EPA has also begun to regulate certain greenhouse gas emissions under the Clean Air Act.

Our facilities in the European Union are subject to the EU Emissions Trading System (the "**EU ETS**"), which is an EU-wide system of trading allowances that are issued by Member States to cover industrial GHG emissions and which has been implemented in Germany by the Greenhouse Gas Emission Trading Act (Treibhausgas-Emissionshandelsgesetz) ("**TEHG**"). Industrial facilities to which the EU ETS applies receive a certain number of allowances to emit greenhouse gases and must surrender one allowance for each ton of greenhouse gases emitted. Facilities that emit fewer tons of greenhouse gases than their allocated allowances cover may sell their excess allowances in the open market, whereas those that emit more than their currently held allowances must buy additional allowances.

Further, in respect of our operations in the United Kingdom, we are affected by the UK government's "Electricity Market Reform" provisions to set a "carbon floor price," below which the price of CO2 allowances in the UK will not be permitted to fall.

Contamination, Environmental Remediation and Closure Liabilities

Under the requirements of permits or pursuant to certain EHS laws and regulations we may be required to investigate and remediate contamination at facilities, which we use or have used in the past, particularly if we close an operational facility. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations, facilities or products.

Spills or releases of hazardous materials, the discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which those costs need to be incurred could be material.

Laws and regulations of many of the jurisdictions in which we operate oblige us to prevent contamination of the soil by taking adequate precautions. The relevant governmental authorities may require responsible parties to take remediation measures, or do so themselves, placing the costs for such action on the responsible parties.

In the United States, the Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), and commonly known as the "Superfund," as well as similar state laws, govern the remediation of contaminated sites and establish joint and several liability for site owners and individuals and entities responsible for disposing of or releasing hazardous substances at, or operating, such sites. In some cases, a party that sent waste to a contaminated site can be held liable for the entire cost of remediation regardless of fault, the lawfulness of disposal or the actions of other parties.

Tobacco-Related Regulation

The regulation of tobacco and tobacco packaging has intensified in recent years in response to public health concerns, but regulation varies across the jurisdictions in which our clients operate due to a variety of legal, political, economic and social factors.

In Europe, the European Parliament and European Council adopted Directive 2014/40/EU concerning the manufacture, presentation and sale of tobacco and related products (the "**Tobacco Directive**") in 2014 aimed to improve the functioning of the internal market for tobacco and related products. On October 9, 2015, the European Commission adopted regulation specifying the content, size, color, font and position of the health warnings on the packages. Some European nations, including Italy, have adopted further measures to enhance the protection of minors.

In the United States, the FDA has broad powers to regulate the production, sale and marketing of tobacco-based products. One rule requires any new tobacco-based product that is not "substantially equivalent" to a product on the market as of February 2007 to undergo an expensive approval process. In 2016, the FDA's authority was extended its authority to electronic cigarettes, cigars and other related products, which may significantly change the electronic cigarette market in the United States.

In China, state control of the tobacco industry, together with the central role of cigarette consumption in the Chinese society, have traditionally favored more permissive tobacco regulation compared to other countries. In recent years, however, a more restrictive approach to the industry has emerged, partly linked to the change of political leadership in the Chinese government.

Packaging Regulation

In December 2022, the European Commission presented a proposal to revise the European Packaging and Packaging Waste Regulation. Such proposal suggests reusable, recyclable packaging solutions to reduce waste. The text of the proposal sets a target for 2040 to reduce packaging waste per capita per Member State by 15% compared to 2018. The measures are aimed at making the packaging of certain product categories fully recyclable by 2030. The discussion among the other European Institutions (Trialogue) is still open.

The European Commission presented a proposal on Eco-design for Sustainable Products Regulation on March 30, 2022. The bill establishes a framework to set eco-design requirements for specific product groups to significantly improve their circularity, energy performance, and other environmental sustainability aspects. The Council amended the bill, proposing to exclude the entire automotive sector from its scope, given it is already covered by the End of Life Directive. However, the European Institutions approved their official position in July 2023 without this exclusion. The European Parliament and the Council have not yet formally adopt the new Regulation.

The European Parliament approved new rules for the design, production and management of all types of batteries sold in the EU and their waste, with a new regulation that was published in the Official Gazette and is effective since February 18, 2024. The regulation aims to modernize the existing legislative framework, to encourage the production of more sustainable batteries over their entire life cycle, introducing a new classification by use and specific targets to ensure their recycling and reuse. There will be an obligation to use responsibly sourced materials and a restriction on the use of hazardous substances. At the same time, minimum recycled content, carbon footprint, efficiency, durability, labelling, as well as compliance with collection and recycling targets will become essential constraints for the development of a more sustainable and competitive battery industry.

From December 13, 2024, the General Product Safety Regulation (GPSR) replaced the current General Product Safety Directive and the Food Imitating Product Directive. It modernizes the EU general product safety framework and address the new challenges posed to product safety by the digitalization of our economies, with the aim of clarifying the obligations imposed on manufacturers and updating them in light of the development related to new technologies and online selling.

Our products are also subject to the European Commission Regulation on Plastic Materials and Articles Intended to Come into Contact with Food (the "**Food Packaging Regulation**"), which is directly applicable to all Member States without transposition into national law. This Regulation establishes specific requirements for the manufacture and marketing of plastic materials and articles that are intended to come into contact with food, are already in contact with food or can reasonably be expected to come into contact with food. The Food Packaging Regulation sets out the rules to follow in order to be able to introduce food packaging products into the market.

This Food Packaging Regulation sets out a list of authorized substances (some of which, due to specific restrictions, must be of a specific purity and quality), which may be used in the manufacture of plastic layers in plastic materials and articles. Additionally, plastic materials and articles must not transfer their constituents to food in quantities exceeding the specific migration limits, as provided by the Food Packaging Regulation.

Occupational Safety and Health

We are subject to the occupational safety and health laws and regulations of the jurisdictions we conduct our business in.

For example, in the United States, the Occupational Safety and Health Act of 1970 ("**OSHA**") addresses safety and health in workplace environments. OSHA's "general duty" clause requires an employer to furnish to its employees a place of employment free from recognized hazards that are likely to cause death or serious physical harm. In addition to the federal standards, states may design their own job safety and health programs, as long as they are at least as effective as the federal standards. OSHA's hazard communication standard requires chemical processers to employ a hazard communication program utilizing labels and other forms of warnings, as well as material safety data sheets, setting forth safety and hazardous materials information to employees and customers. OSHA's hazard communication standard covers both physical hazards (such as flammability or the potential for explosions) and health hazards. Employers must provide their employees with a minimum level of training on proper chemical handling procedures. Our U.S. facilities provide basic training to employees and visitors who have access to chemical handling areas.

Under OSHA, we also must conduct workplace assessments to determine whether hazards are present that require the use of personal protective equipment. If such hazards are present, we must provide appropriate equipment to our employees at our cost and expense, and must require employees to use such protective equipment. OSHA also establishes workplace chemical exposure levels for indoor air quality. Similarly, in the EU, we must ensure that the machinery used by our employees is in compliance with applicable health and safety requirements, under national legislation implementing the EU Directive 2006/42/EC of May 17, 2006, last amended by Regulation (EU) 2019/1243 of the European Parliament and of the Council of June 20, 2019 (the "Machinery Directive") or preceding EU directives.

Environmental Issues and Climate Change

We are subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including (i) product and industrial related environmental protection and (ii) operational management of occupational safety and wellbeing related to hazardous substances in production activities. We are exposed, from time to time, to environmental investigations and assessments, which in certain instances may require us to undertake certain actions or adopt certain measures.

Outside of our obligations under various laws, we strive to act with a view toward corporate social responsibility and concern for the communities in which we operate. We are committed to maintaining high levels of safety and environmental protection. We believe that are our commitment has been demonstrated by through a good record of environmental stewardship reflecting no known damage to the environment in the most recently completed fiscal year. Although we are not listed on the Milan Stock Exchange, we voluntarily publish an annual sustainability report on our website.

We have numerous projects underway that demonstrate the high level of environmental sensitivity and strong commitment to innovation that has always distinguished us. For example, our IMA NOP project is, in part, a response to the approval by the European Parliament of a directive limiting the use of various disposable plastic items, which has consequently fueled a demand for new automatic machines to lower the use of plastic in packaging. Through IMA NOP, we have already developed some innovative solutions in collaboration with the major market players, thereby meeting, or even anticipating, the needs of the market.

We believe that the innovative efforts of mass consumer companies towards introducing new materials or new solutions could be of benefit to us, which is always proposing innovations in packaging machinery that is able to handle new materials with the same efficiency as now.

Energy choices, global warming, human health, are all key topics and after acquiring control of ATOP, leader in the sector of machines and automatic lines for the production of stators and rotors for electric motors for the automotive sector. We believe that electric traction is not just a good business, but also central to achieving levels of environmental sustainability compatible with human health.

We have also taken steps to ensure our operations are in line with widely-acceptance standards for environmental management. In 2024, we maintained certification of our Environmental Management System according to ISO 14001:2015. ISO 14001:2015 helps an organization such as ours achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Currently, we apply the system to our main production sites.

The aforementioned result was achieved through specific audits carried out in January and October 2019 by a third-party certification company, which confirmed full compliance with all applicable environmental regulations and the complete and correct implementation and effectiveness of our Environmental Management System.

Legal Proceedings

We are from time to time subject to legal proceedings of civil and administrative nature and we make special provisions to cover possible losses in our legal proceedings. We do not currently have any pending material legal proceedings. See "*Risk Factors—Risks Related to Our Business and Industry—We are exposed to risks related to conducting operations in many different countries.*"

MANAGEMENT

The following is a summary of certain information concerning the management of the Issuer, certain provisions of the by-laws (*statuto*) of the Issuer and of certain aspects of Italian law regarding corporate governance. This summary is qualified in its entirety by reference to such by-laws and Italian law.

The Issuer is managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors. The board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Issuer to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body (see below).

Board of Directors

The Issuer's Board of Directors is comprised of nine (9) directors. The following table sets forth the names, ages and titles of the members of the Issuer's Board of Directors:

Name	Age	Date of Appointment
Alberto Vacchi	60	2024
Stefano Cataudella	74	2024
Luca Poggi	63	2024
Sergio Marzo	58	2024
Massimo Marchesini	59	2024
Byron David Trott	65	2024
James Colin Montupet	38	2024
Mariafrancesca Carli	58	2024
William Christian McCollum	53	2024

The business address of each member of the Board of Directors is the registered address of the Issuer.

Set forth below is certain biographical information relating to the members of the Issuer's Board of Directors.

Alberto Vacchi, after earning a degree in law, became an entrepreneur. Since 1996, Mr. Vacchi has been appointed as managing director of the Issuer and, since 2007, he has been the chairman. On June 7, 2011, he was appointed President of Unindustria Bologna and served in such capacity from 2011 to 2015. He was also appointed President of Confindustria Emilia for the first two years after its founding in May 2017 and was appointed member of the board of UCIMA (Italian Packaging Machinery Manufacturers' Association) from June 2013 to June 2017. He currently holds offices in various companies within the Group (*i.e.*, directorship in B.C. S.r.l. and chairmanship in Corazza S.p.A. and Packaging Manufacturing Industry S.r.l.) in addition to serving as a director in SOFIMA and holding top executive positions in Alva S.p.A., Cuniola Società Agricola a r.l., Nemo Investimenti S.r.l., 1997 Società semplice—Società Agricola and Steam School Soc. Cons. a r.l. Mr. Vacchi brings his experience in entrepreneurship and business administration to the Board of Directors.

Stefano Cataudella earned a degree in biology. He is currently full professor of ecology at the University of Rome Tor Vergata and, during his career in academia, he has been involved in basic and applied research in biological problems related to aquatic food production (fisheries and aquaculture) from a bio-ecological, bio-economical and institutional point of view. He is Chairman of the GFCM-FAO (art.14, FAO Constitution), to which the countries of the Mediterranean and the Black Sea adhere and a consultant, among others, to EC, FAO, FAO Investment Centre, UNDP, a member of the CSA (Higher Council of Agriculture of the Italian Ministry of Agriculture, Food and Forestry), a member of the Scientific Committee (CTS) of MIUR (Ministry of Education, University and Research) and of the Biotechnology Committee of the Italian Ministry of the Environment. He has been a consultant to us for 15 years and currently serves as a member of our Strategy Committee.

Luca Poggi earned a degree in economics and business studies from Bologna University in 1984. Since 1986, Mr. Poggi has been admitted to the Register of Chartered Accountants and Tax Consultants and, since 1995, to the Register of Freelance Journalists. He is considered an expert on tax and corporate law and has long-standing collaborations with several specialized publications. Mr. Poggi currently holds the office of senior partner at Poggi & Associati, a firm of tax and financial consultants whose clients include leading industrial groups, including multinationals, specializing in corporate finance, taxation and M&A where he has been advising on the structuring of private equity transactions since 2003. Mr. Poggi brings his experience in corporate law and finance to the Board of Directors.

Sergio Marzo earned a degree in Economics and Business Administration from the Università di Bologna in 1990. In 2001, Mr. Marzo joined IMA as Investor Relations Manager. He was then appointed as Strategic Planning and Extraordinary Finance Manager, closing multiple acquisitions within Europe, Asia and United State. Since 2007, he has been IMA's Chief Financial Officer and has been appointed as Executive Director responsible for the drafting of IMA's accounting and corporate documents. Until June 2017, Mr. Marzo served as Executive Director of the Administration, Finance and Control area.

Massimo Marchesini earned a technical degree from the Istituto Aldini Valeriani in Bologna. He joined the Issuer in 1985, holding various offices, including: head of the "hot machines lines" in the tea, coffee and beverage division in 1995, head of "hot and cold machines lines" in the tea, coffee and beverage division in 1996, manager of the tea production line in 1997, head of the tea division in 2000, and director of the purchase department in 2003. Since 2015 he holds the office of director of the Issuer's supply chain & purchasing, while being a member of certain of the Group's strategic committees and fulfilling other roles in the board of directors of various subsidiaries of the Group.

Byron David Trott earned an AB and an MBA from University of Chicago in 1981 and 1982, respectively. He joined the Issuer in 2024 as a member of the board of directors. He currently holds the office of Chairman at BDT&MSD, a merchant bank that supports family-run businesses and founder-led enterprises with funds and guidance. He is a member of the board of directors of various companies including Acorn Holding B.V., Acrisure Holdings, Inc., Cox Enterprises, Inc., Culligan International, Enterprise Holdings, Inc. JDE, MD Anderson Cancer Centre Board of Visitors at The University of Texas MD Anderson Cancer Centre and Sunrise Holdings / Whataburger.

James Colin Montupet earned a BS in Mechanical Engineering and a BS in Economics from Duke University in 2009. He joined the Issuer in 2024 as a member of the board of directors. Mr. Montupet currently holds the office of Managing Director at BDT&MSD. He is Advisory Director at Greystar Global Partners and a Board Observer and an Audit Committee Member at Culligan International.

Mariafrancesca Carli earned a degree in Economics from Bocconi University in 1988 and MBA from MIT – Sloan School of Management in 1992. He joined the Issuer in 2015 as a Managing Director. Before joining the Issuer, Mrs. Carli was a Managing Director at Goldman Sachs from 1992 until 2007 before moving to JP Morgan where she served in the same capacity. During her tenures with Godman Sachs and JP Morgan, she worked from London and New York offices of the firms.

William Christian McCollum earned an undergraduate degree in Economics and Government from Cornell University and an MBA from the Wharton School at the University of Pennsylvania respectively in 1993 and 2000. He joined the Issuer in 2024 and he is currently an investment professional and partner in leading private equity firm based in Los Angeles (California) as well as director on multiple private company boards including Chart Next Generation, Convergint, Omnia Partners, ProMach, Service Logic, the Wrench Group and Tencate.

See "*Principal Shareholders—Summary of General Corporate Governance Rules Applicable to the Issuer—Board of Directors*."

Senior Management

The following table sets forth the names, ages and titles of the members of the senior managers of the Company as of December 31, 2023:

Name	Age	Title
Alberto Vacchi	60	Chairman and CEO
Sergio Marzo	58	CFO
Stefano Cataudella	74	Senior Advisor
Luca Poggi	63	Senior Advisor and director
Massimo Marchesini	59	Supply Chain & Purchasing
Massimo Ferioli	63	HR & Organization

Set forth below is certain biographical information relating to the members of the Issuer's senior managers whose biographical information does not appear under "Board of Directors" above by virtue of their not serving as a member of the Board of Directors.

Massimo Ferioli earned a degree in informatics from the Bologna University. In 1986 he joined the company 3M as a system integrator of radiology systems in the healthcare sector, and in 1994 he joined the Credito Romagnolo—UniCredit Group, as head of technological architecture and management of distributed information systems. In 1998 he joined the Issuer as director of information systems, quality and standardization and, subsequently, as director of personnel and environment and safety. Since 2008 he holds the office of director of the HR & Organization of the Group, while being a member of certain of the Group's strategic committees and fulfilling other roles in the board of directors of various subsidiaries of the Group.

Compensation

The aggregate cash compensation of the members of the Board of Directors of the Issuer amounted to €5.7 million for the year ended December 31, 2023.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee the Issuer's compliance with applicable law and with its by-laws, monitor the implementation of best practices and assess the adequacy of the internal controls and accounting reporting systems at the Issuer, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three standing statutory auditors and three alternate auditors on the board of statutory auditors for the Issuer. Members of the board of statutory auditors are appointed by the shareholders of the Issuer at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term.

All members of the board of statutory auditors were appointed at the shareholders' meeting held on April 12, 2021. At least one of the standing statutory auditors and one of the alternate auditors must be selected among legal auditors registered with the relevant special registry. Members of the board of statutory auditors may be removed only for a valid reason and with the approval of an Italian court.

The following table sets forth the names, ages and titles of the members of the board of statutory auditors of the Issuer. They will remain in office until approval by the shareholders of the financial statements for the year ended December 31, 2023.

Name	Age	Title
Roberta De Simone..	60	Chairwoman - Statutory Auditor
Francesco Facchini	57	Statutory Auditor
Riccardo Pinza...	54	Statutory Auditor
Chiara Gallina..	63	Alternate Auditor
Stefano Massarotto	52	Alternate Auditor

Set forth below is certain biographical information relating to the members of the Issuer's Board of Statutory Auditors.

Roberta De Simone earned a degree in Economics and Commerce from Bologna University in 1988. Since 1989, she has been admitted to the Register of Chartered Accountants and Tax Consultants of Brescia. Since 1994, she has been admitted to the Register of Chartered Accountants and Tax Consultants of Forlì and since 1995 to the Register of Official Auditors. She is partner of the firm Studio Scala – Giondi Associazione Professionale and has been working as a chartered accountant, dealing with tax and corporate advisory services, as well as bankruptcy proceedings. She currently holds the office of statutory auditor in various companies, including: Issuer, CEPI S.p.A., Transworld Packaging Holding S.p.A., Teknoweb Converting S.r.l., Eurosicma—Costruzioni Macchine Automatiche S.p.A. and ATOP S.p.A.

Francesco Facchini earned a degree in Economics from Bocconi University in 1991. He is the co-founder of Studio Legale Tributario Facchini Rossi Michelutti (formerly Facchini Rossi & Soci), a firm that provides tax assistance to domestic and foreign corporate groups, banks and non-profit entities. His areas of expertise include corporate taxation, M&A and reorganization transactions, financial taxation, private client and tax litigation. Mr. Facchini joined the Issuer in 2021 as member of the board of statutory auditors. He currently holds the office of statutory auditor in various companies, including Genetica Pharma S.r.l., ABL Automazione S.r.l., Facile.it Broker di Assicurazioni S.p.A., Pegaso Management S.r.l., DP Group S.p.A., Idealista S.p.A., Fedrigoni S.p.A. and Salini Costruttori S.p.A..

Riccardo Pinza earned a degree in Law from University of Bologna in 1993. He is a lawyer, and he joined the Issuer as a statutory auditor from 2010 to 2019 and returned in the same capacity in 2022. He currently holds the office of statutory auditor in various companies, including: Tissue Machinery Company S.p.A., Italpack Italia S.p.A. and ATOP S.p.A.; Mr. Pinza also holds the office as director in Gesco Soc. Coop. and Amadori S.p.A.

Chiara Gallina earned a degree in Business and Economics from University of Bologna in 1987. Since 1992, she has been admitted to the Register of Chartered Accountants and Accounting Experts of Bologna. Since 1995, she has been admitted to the Register of Independent Auditors. Her areas of expertise include tax and accounting consultancy, preparation of financial statements and Tax Return statements, taxation of natural persons. She currently holds the office of statutory auditor in the boards of statutory auditor of various companies.

Stefano Massarotto earned a degree in Economics from University of Pavia. Since 2002, he has been admitted to the Association of Chartered Accountants of Como. His areas of expertise include tax planning for high net-worth individuals, trusts, M&A and reorganization transactions and financial taxation. Mr. Massarotto is also the author of various publications on tax law matters and he often speaks at domestic and international seminars and conferences, and a temporary professor at Bocconi University in Milan. He currently holds the office of statutory auditor in the boards of statutory auditor of various companies.

PRINCIPAL SHAREHOLDERS

The share capital of the Issuer is entirely indirectly owned by SOFIMA through Sofima PIK.

The following table sets forth the shareholders of SOFIMA.

Shareholders	Share Capital %	Voting Rights %
Alps Holding S.p.A.(1)	97.0%	100.0%
F&F IT Individuals(2)	0.1%	—
Cofiva S.p.A. (3)	2.9%	—
Total Shares	**100.0%**	**100.0%**

(1) Our CEO, Mr. Alberto Vacchi, has the power to exercise the voting rights in Alps Holding held by the Founder Group pursuant to a power of attorney.
(2) "F&F IT Individuals" refers certain natural persons who own direct interests in SOFIMA in their individual capacities.
(3) Cofiva S.p.A. ("**Cofiva**") is a joint-stock company (*società per azioni*) incorporated under the laws of Italy indirectly controlled by Mr. Gianluca Vacchi. Cofiva and Alps Holding entered into a put and call arrangement whereby, *inter alia*, Cofiva may require Alps Holding to purchase in one or more tranches Cofiva's non-voting shares in SOFIMA.

The following table sets forth the shareholders of Alps Holding S.p.A.

Shareholders	Share Capital %	Voting Rights %
Founder Group(1)	42.8%	51.0%
BDT Alps S.r.l.(2)	55.7%	49.0%
SEV Holding S.p.A.	1.3%	
Cofircont Fiduciaria S.r.l.	0.2%	—
Total Shares	**100.0%**	**100.0%**

(1) The Founder Group consists of certain members of the Vacchi family, our management and certain additional investors. It is currently expected that the entities included in the Founder Group will form a company which will hold the shares of the Founder Group in Alps Holding.
(2) BDT Alps S.r.l. is an affiliate of BDT&MSD Partners.

RELATED PARTY TRANSACTIONS

We carry out business with related parties. Such related party transactions mainly consist of commercial and property transactions (*e.g.*, leases of premises used by the Group companies), as well as to membership within the Group's tax group. Primarily, these transactions are between Group companies. However, we may carry out business with other related parties, including persons who are responsible for administration and management within the Group or entities controlled by them.

In the years ended December 31, 2021, 2022, and 2023, there were no individual related party transactions that could have had a significant influence over our statement of financial position or results and no changes or developments in such transactions explained in such period could have had a significant influence over our statement of financial position or results. For more information on the details of our transactions with the related parties, see the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal additional indebtedness in addition to the Notes after giving effect to the Transactions.

Moreover, the following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Existing Notes

On December 29, 2020, Sofima Holding S.p.A. (a company merged into the Issuer with effect as of January 1, 2021) issued (i) €450,000,000 Senior Secured Floating Rate Notes due 2028 (the "**Existing Floating Rate Notes**") and (ii) €830,000,000 3.75% Senior Secured Fixed Rate Notes due 2028 (the "**Existing Fixed Rate Notes**" and, together with the Existing Floating Rate Notes, the "**Existing Notes**").

Interest on the Existing Floating Rate Notes is payable quarterly on January 15, April 15, July 15 and October 15 in each year at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor) plus (ii) 4.00% *per annum*, reset quarterly.

The Existing Notes have been issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Existing Notes have been accepted for book-entry delivery and clearing via the facilities of Euroclear and Clearstream. The Existing Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market thereof.

Interest on the Existing Fixed Rate Notes is payable semi-annually on January 15 and July 15 in each year at a rate equal to 3.75%.

The terms of the Existing Notes contain substantially similar covenants, events of default, amendment and waiver and definitions to those of the Notes offered hereby. See "*Description of the Notes*."

The Existing Notes are secured, or will be secured, by the Notes Collateral and guaranteed by the same Guarantor as the Notes offered hereby.

Super Senior Revolving Credit Facilities Agreement

Overview and Structure

On November 17, 2020, the Issuer and IMA Bidco S.p.A., each as a borrower and guarantor, entered into a super senior revolving credit facilities agreement (as amended and/or restated from time to time, the "**Super Senior Revolving Credit Facilities Agreement**"), which provides for a super senior revolving credit facility in a principal amount of €150.0 million (the "**Super Senior Revolving Credit Facility**"). To further support our liquidity, on or about the Issue Date, certain lenders will make available additional facilities under the Super Senior Revolving Credit Facilities Agreement in an aggregate principal amount of €25.0 million in accordance with the applicable provisions of the Super Senior Revolving Credit Facilities Agreement. As a result, the total commitments under the Super Senior Revolving Credit Facility will be equal to €175.0 million.

The Super Senior Revolving Credit Facility may be utilized by the Issuer and certain restricted subsidiaries of the Issuer which accede to the Super Senior Revolving Credit Facilities Agreement as additional borrowers of that facility (the "**SSRCF Borrowers**") and may be applied in or towards directly or indirectly: financing or refinancing the general corporate purposes and/or working capital requirements of the Group (including, without limitation, the financing or refinancing of capital expenditure, any permitted acquisition, any acquisition costs, investments and joint ventures, operational restructurings and reorganization requirements of the Group, financing or refinancing financial indebtedness of the Group (including the refinancing or discharge of the existing indebtedness of certain members of the Issuer and its subsidiaries), or any acquisition target (including the refinancing or discharge of the existing indebtedness of certain members of the Issuer and its subsidiaries) and paying any related breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing or discharge, any required original issue discount fees or any additional original issue discount fees or funding any market flex or any ticking fees required to be paid in connection with and any interest accruing on indebtedness).

The Super Senior Revolving Credit Facility is available in euros, sterling, U.S. dollars and certain other currencies readily available in the relevant interbank market by the drawing of cash advances, the issue of letters of credit and (on a bilateral and fronted basis) ancillary facilities.

The Super Senior Revolving Credit Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness under one or more additional facilities within the Super Senior Revolving Credit Facilities Agreement up to an aggregate amount of: the greater of €150.0 million and 65.0% of LTM EBITDA (as defined in the Super Senior Revolving Credit Facilities Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Super Senior Revolving Credit Facility may be utilized to (and including) the date which is one month prior to the maturity date of the Super Senior Revolving Credit Facility, which is six and a half (6.5) years after the SO.FI.MA Acquisition Closing Date.

Interest and Fees

Loans under the Super Senior Revolving Credit Facility initially bear interest at rates per annum equal to EURIBOR, or for loans denominated in Sterling, SONIA and for loans denominated in dollars, SOFR, plus an applicable margin, which will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated Pro Forma EBITDA (the "**Consolidated Senior Secured Net Leverage Ratio**").

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of loans made under the Super Senior Revolving Credit Facility. If SONIA or SOFR (as applicable) is less than zero, SONIA or SOFR (as applicable)shall be deemed to be zero in respect of loans made under the Super Senior Revolving Credit Facility.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Super Senior Revolving Credit Facility from November 17, 2020 to the end of the availability period applicable to the Super Senior Revolving Credit Facility at a rate of 30.0% of the applicable margin for the Super Senior Revolving Credit Facility. Commitment fees are payable quarterly in arrears, on the last day of the availability period applicable to the Super Senior Revolving Credit Facility and on the date the Super Senior Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest is calculated as an additional 1.0% on the defaulted amount.

Repayments

The loans made under the Super Senior Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Super Senior Revolving Credit Facility will be repaid on the date falling six and a half years from the SO.FI.MA Acquisition Closing Date. Amounts repaid by the borrowers on loans made under the Super Senior Revolving Credit Facility may be reborrowed, subject to certain conditions.

The Super Senior Revolving Credit Facilities Agreement allows for voluntary prepayments (subject to de minimis amounts). The Super Senior Revolving Credit Facilities Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control" or the listing or the admission to trading of all or any part of the share capital of any member of the Group or any holding company (the only material assets of which are shares or other investments (directly or indirectly in the Group)) of a member of the Group (subject to certain exceptions) on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to any member of the Group or any such holding company of any member of the Group (subject to certain exceptions) in any jurisdiction or country, which results in a "Change of Control".

Guarantee and Security

The Super Senior Revolving Credit Facility is guaranteed, subject to the Agreed Security Principles (as defined in the Senior Revolving Credit Facilities Agreement), by the Guarantor.

The Super Senior Revolving Credit Facility is and/or will be secured by the same security interests as for the Notes as set forth under "*Description of the Notes—Security*".

Subject to certain adjustments and the agreed security principles that apply to the Super Senior Revolving Credit Facilities Agreement, the Issuer is required to ensure that members of the Group that generate at least 80.0% of EBITDA (as defined in the section titled "*Description of the Notes*") are guarantors of the Super Senior Revolving Credit Facilities Agreement (i) on the Initial Material Subsidiary Relevant Date (as defined in the Super Senior Revolving Credit Facilities Agreement, and subject to the agreed security principles) and (ii) thereafter on the date which is 150 days following the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Super Senior Revolving Credit Facilities Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 150 days of such date).

The provision and the terms of the security and guarantees set forth above is, in all cases, subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Super Senior Revolving Credit Facilities Agreement.

Representations and Warranties

The Super Senior Revolving Credit Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including, among others, (i) status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence and pari passu ranking, (ii) no insolvency, taxation and no litigation, (iii) no default, financial statements, (iv) ownership, (v) centre of main interests.

Certain representations and warranties were made on the Closing Date and will be repeated on the date of each utilization, on the first day of each interest period (other than in the case of roll over cash drawings) and at certain other times.

Covenants

The Super Senior Revolving Credit Facilities Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) under the Indenture and the Notes.

The Super Senior Revolving Credit Facilities Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Super Senior Revolving Credit Facilities Agreement, the Issuer may not, and shall procure that no restricted subsidiary will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of any Notes (or, in each case, any replacement or refinancing thereof as permitted under the Super Senior Revolving Credit Facilities Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50.0% of the aggregate original principal face value amount of the Notes as at the Closing Date (the "**Notes Purchase Basket**") or to the extent the aggregate principal face value amount of the Notes that are the subject of such repayment, prepayment, purchase, defeasance, redemption or refinancing exceeds the Notes Purchase Basket an amount of the commitments under the Super Senior Revolving Credit Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are repaid, prepaid, purchased, defeased, redeemed, refinanced or otherwise returned for value, until the commitments under the Super Senior Revolving Credit Facility are reduced to €75.0 million.

The Super Senior Revolving Credit Facilities Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to (i) authorizations; (ii) compliance with laws; (iii) centre of main interests; (iv) provision of guarantees and security and further assurance; and (v) compliance with sanctions, anti-money laundering and anti-corruption laws.

In addition, the Super Senior Revolving Credit Facilities Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a ratio to be set with 40.0% headroom versus the base case model for the Super Senior Revolving Credit Facility (the "**Drawn Super Senior Leverage Ratio**"). The Drawn Super Senior Leverage Ratio is calculated as the ratio of: (A) consolidated drawn loans under the Super Senior Revolving Credit Facility and (to the extent called by beneficiaries of bank guarantees and which have not been reimbursed by (or on behalf) of the relevant borrower to the relevant lender(s) at such test date), bank guarantees and; (B) other funded indebtedness that ranks pari passu with the drawn loans in respect of the distribution of recoveries pursuant to the Intercreditor Agreement, less the aggregate amount of cash, cash equivalents and temporary cash equivalents held by the Group (the "**Drawn Super Senior Facilities Debt**") to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the Super Senior Revolving Credit Facility being (excluding any utilizations (x) by way of letters of credit (or bank guarantees) or ancillary facilities; or (y)(i) on the first utilization date, (ii) to fund any original issue discount, flex-related payments or other similar or related payments, (iii) to fund the payment of any fees, costs and expenses or (iv) to fund any permitted acquisition, capital expenditure, joint-venture or other investment *provided that* the aggregate amount of utilizations which may be taken into account pursuant to paragraphs (y)(i), (y)(iii) and (y)(iv) above shall not exceed €15.0 million, net of Cash and Cash equivalent investments of the Group more than 40.0% drawn on the relevant test date (the "**Test Condition**")). The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Super Senior Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Super Senior Revolving Credit Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Super Senior Revolving Credit Facilities Agreement contains an equity cure provision enabling the shareholders of the Issuer to make shareholder injections by way of debt and/or equity to the Issuer to (i) increase the consolidated pro forma EBITDA under the Super Senior Revolving Credit Facilities Agreement, (ii) decrease Drawn Super Senior Facilities Debt, or (iii) prepay the Super Senior Revolving Credit Facility so that the Test Condition is no longer satisfied. The equity cure rights pursuant to (i) and (ii) above may not be exercised on more than five occasions during the term of the Super Senior Revolving Credit Facility and may not be exercised more than twice in any consecutive four quarter periods. EBITDA cures or net debt cures may not be taken into account for other permissions/usages under the Finance Documents.

Events of Default

The Super Senior Revolving Credit Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the Super Senior Revolving Credit Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including (i) inaccuracy of a representation or statement when made, (ii) invalidity and unlawfulness of the Super Senior Revolving Credit Facility financing documents and (iii) material failure to comply with the Intercreditor Agreement, and (iv) repudiation or rescission of the Super Senior Revolving Credit Facility financing documents.

Governing Law

The Super Senior Revolving Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law although the information undertakings, restrictive covenants, events of default and related definitions scheduled to the Super Senior Revolving Credit Facilities Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Super Senior Revolving Credit Facilities Agreement is governed by English law).

Guarantee Facility Agreement

Overview and Structure

On November 17, 2020, the Issuer entered into a super senior guarantee facility agreement (the "**Guarantee Facility Agreement**"), which provides for a super senior guarantee facility in a principal amount of €250.0 million (the "**Guarantee Facility**"). As of December 31, 2023, the Issuer had utilized approximately €108.5 million of bank guarantees under the Guarantee Facility.

The Guarantee Facility may be utilized by the Issuer and each bank guarantee requested under the Guarantee Facility must be issued: (A) in respect of projects, transactions or other contractual obligations entered into in the ordinary course of business of the Group (where, for the avoidance of doubt, any such instruments may be drawn under the Guarantee Facility directly in favor of beneficiaries or indirectly in favor of beneficiaries (by way of "back-to-back" or equivalent arrangements)), provided that each such bank guarantee covers liabilities in relation to advance payments, performance of contracts, leases, warranties, sureties, bidding processes or other obligations in ordinary course of business; and/or (B) refinancing and/or replacing any existing bank guarantee entered into by the Group.

The Guarantee Facility is available in Euros, Pound Sterling, U.S. dollars, CHF, CNY, PLN, INR, ILS and certain other currencies readily available in the relevant interbank market by the issue of guarantees on a bilateral and/or fronted basis.

The Guarantee 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 under one or more additional facilities within the Guarantee Facility Agreement up to an aggregate amount equal to the greater of €250.0 million and 85.0% of LTM EBITDA (as defined in the Guarantee Facility Agreement and subject to certain customary additions including the amount of prepayments and buy-backs).

Availability

The Guarantee Facility may be utilized from (and including) the SO.FI.MA Acquisition Closing Date to (and including) the date which is one month prior to the maturity date of the Guarantee Facility, which is 78 months after the SO.FI.MA Acquisition Closing Date (i.e. May 10, 2027).

Interest and Fees

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Guarantee Facility from November 17, 2020 to the end of the availability period applicable to the Guarantee Facility at a rate of 30.0% of the applicable margin for the Guarantee Facility. Commitment fees are payable quarterly in arrears and on the date the Guarantee Facility is cancelled in full or on the date on which the relevant lender cancels its commitment. Guarantee fees are payable in respect of bank guarantees at a rate equal to the applicable margin, which will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated Pro Forma EBITDA.

Default interest is calculated as an additional 1.0% on the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted an outstanding Bank Guarantee in the currency of the overdue amount plus EURIBOR for Unpaid Sums in euro and LIBOR for all other Unpaid Sums for successive Interest Periods, each of a duration selected by the Agent (acting reasonably).

Prepayments

The Guarantee Facility Agreement allows for voluntary prepayments (subject to de minimis amounts). The Guarantee Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "Change of Control" or the listing or the admission to trading of all or any part of the share capital of any member of the Group or any holding company (the only material assets of which are shares or other investments (directly or indirectly in the Group)) of a member of the Group (subject to certain exceptions) on any recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any other exchange or market in any jurisdiction or country or any other sale or issue by way of listing, flotation or public offering or any equivalent circumstances in relation to any member of the Group or any such holding company of any member of the Group (subject to certain exceptions) in any jurisdiction or country.

Guarantee and Security

The Guarantee Facility is guaranteed, subject to the Agreed Security Principles (as defined in the Guarantee Facility Agreement), by the Guarantor.

The Guarantee Facility is secured by the same security interests as for the Notes as set forth under "*Description of the Notes—Security*."

Subject to certain adjustments and the agreed security principles that apply to the Guarantee Facility Agreement, the Issuer is required to ensure that members of the Group that generate at least 80.0% of EBITDA (as defined in the section titled "*Description of the Notes*") are guarantor of the Guarantee Facility Agreement (i) on the Initial Material Subsidiary Relevant Date (as defined in the Guarantee Facility Agreement, and subject to the agreed security principles) and (ii) thereafter on the date which is 150 days following the date when the annual financial statements of the Issuer are required to be delivered to the agent in connection with the Guarantee Facility Agreement (and, to the extent such requirement is not satisfied on such date, the Issuer shall ensure that it is so satisfied within 150 days of such date).

The provisions and the terms of the security and guarantees set forth above are, in all cases, subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Guarantee Facility Agreement.

Representations and Warranties

The Guarantee 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, (iv) ownership, (v) centre of main interests.

Certain representations and warranties were made on the Closing Date and will be repeated on the date of each utilization and at certain other times.

Covenants

The Guarantee Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) under the Indenture and the Notes.

The Guarantee Facility Agreement also contains a "note purchase condition" covenant. Subject to certain exceptions set out in the Guarantee Facility Agreement, the Issuer may not, and shall procure that no restricted subsidiary will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of any Notes (or, in each case, any replacement or refinancing thereof as permitted under the Guarantee Facility Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50.0% of the aggregate original principal face value amount of the Notes as at the Closing Date (the "**Notes Purchase Basket**") or to the extent the aggregate principal face value amount of the Notes that are the subject of such repayment, prepayment, purchase, defeasance, redemption or refinancing exceeds the Notes Purchase Basket an amount of the commitments under the Super Senior Revolving Credit Facility are cancelled or prepaid in the same proportion by which the Notes in excess of the Notes Purchase Basket are repaid, prepaid, purchased, defeased, redeemed, refinanced or otherwise returned for value, until the commitments under the Guarantee Facility are reduced to €100.0 million.

The Guarantee 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 and further assurance; and (v) compliance with sanctions, anti-money laundering and anti-corruption laws.

In addition, the Guarantee Facility Agreement includes a financial covenant requiring the drawn super senior leverage ratio not to exceed a ratio to be set with 40.0% headroom versus the base case model for the Guarantee Facility (the "**Drawn Super Senior Leverage Ratio**"). The Drawn Super Senior Leverage Ratio is calculated as the ratio of: (A) outstanding utilizations under the Guarantee Facility which have been called by the beneficiaries of bank guarantees and have not been reimbursed by (or on behalf) of the borrowers to the lender(s) as at such test date and; (B) other funded indebtedness that ranks pari passu with the utilizations in respect of the distribution of recoveries pursuant to the Intercreditor Agreement, less the aggregate amount of cash, cash equivalents and temporary cash equivalents held by the Group (the "**Drawn Super Senior Facilities Debt**") to consolidated pro forma EBITDA for the twelve month period preceding the relevant quarterly testing date and is tested quarterly on a rolling basis, subject to the Guarantee Facility being (excluding any utilizations (x) by way of Bank Guarantee; or (y)(i) on the first utilization date, (ii) to fund any original issue discount, flex-related payments or other similar or related payments, (iii) to fund the payment of any fees, costs and expenses or (iv) to fund any permitted acquisition, capital expenditure, joint-venture or other investment *provided that* the aggregate amount of utilizations which may be taken into account pursuant to paragraphs (y)(i), (y)(iii) and (y)(iv) above shall not exceed €15.0 million, net of Cash and Cash equivalent investments of the Group more than 40.0% drawn on the relevant test date (the "**Test Condition**")). The Drawn Super Senior Leverage Ratio only acts as a draw stop to new drawings under the Guarantee Credit Facility and, if breached, will not trigger a default or an event of default under the Guarantee Facility Agreement.

The Drawn Super Senior Leverage Ratio is based on the definitions and adjustments in the Guarantee Facility Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Offering Memorandum.

The Guarantee 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 (i) increase the consolidated pro forma EBITDA under the Guarantee Facility Agreement, (ii) decrease Drawn Super Senior Facilities Debt, or (iii) prepay the Guarantee Facility so that the Test Condition is no longer satisfied. The equity cure rights pursuant to (i) and (ii) above may not be exercised on more than five occasions during the term of the Guarantee Facility and may not be exercised more than twice in any consecutive four quarter periods. EBITDA cures or net debt cures may not be taken into account for other permissions/usages under the Finance Documents.

Events of Default

The Guarantee Facility Agreement provides for substantially the same events of default as under the Notes. In addition, the Guarantee 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) invalidity and unlawfulness of the Guarantee Facility financing documents and (iii) material failure to comply with the Intercreditor Agreement, and (iv) repudiation or rescission of the Guarantee Facility financing documents.

Governing Law

The Guarantee 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 Guarantee Facility Agreement will be interpreted in accordance with New York law (without prejudice to the fact that the Guarantee 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 and the Guarantor entered into or acceded to, respectively, the Intercreditor Agreement dated November 17, 2020 between, among others, the agent, arrangers and lenders under the Super Senior Revolving Facilities Agreement and the Guarantee Facilities Agreement, the trustee and the security agent under the Existing Notes. In connection with the issuance of the Notes, the Trustee will accede to the Intercreditor Agreement on or about the Issue Date, as Senior Secured Notes Trustee (as defined in the Intercreditor Agreement).

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our group including the relative ranking of certain debt of the Issuer, the Guarantor and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third Party Security Provider, when payments can be made in respect of debt of the Debtors or Third Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

"*Senior Secured Group*" shall mean the Issuer and any of its Restricted Subsidiaries from time to time.

References to the "*Senior Secured Notes*" shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a member of the Senior Secured Group which are designated by the Issuer as Senior Secured Notes under the Intercreditor Agreement and references to the "Topco Notes" shall include any notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower which are designated by the Issuer as Topco Notes.

The Intercreditor Agreement uses the term "Company" to refer to Sofima Holding S.p.A., a company that was later merged into the Issuer.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Senior Secured Group and each other debtor under the Intercreditor Agreement (together, the "**Debtors**") (other than Topco and any member of the Senior Secured Group which is designated as a Topco Borrower under the Intercreditor Agreement (a "**Topco Borrower**")) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any senior secured facilities agreements (a "**Permitted Senior Secured Facilities Agreement**") (the "**Senior Lender Liabilities**"), (ii) the lenders, issuing banks, and ancillary lenders in relation to each of the Super Senior Revolving Credit Facilities Agreement and the Guarantee Facility Agreement (together, the "**Super Senior Facilities Agreements**") or any future super senior facilities agreement (a "**Permitted Super Senior Secured Facilities Agreement**") and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior (together the "**Super Senior Liabilities**" and creditors thereof being the "**Super Senior Creditors**"), (iii) the Trustee and any trustee in relation to future senior secured notes (each a "**Senior Secured Notes Trustee**") (other than certain amounts paid to it in its capacity as trustee), the holders of the Notes or future senior secured notes (the "**Senior Secured Notes**") and the Security Agent in relation to the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for the avoidance of doubt, the Issuer) to a member of the Group for the purposes of on lending the proceeds of any Notes together with any additional or replacement loan made on substantially the same terms (a "**Senior Secured Notes Proceeds Loan**" and the liabilities to the lenders under a Senior Secured Notes Proceeds Loan being the "**Senior Secured Notes Proceeds Loan Liabilities**"), (v) the arrangers, agents, issuing banks and lenders under any cash management facility (a "**Cash Management Facility**" and the liabilities under a Cash Management Facility being the "**Cash Management Facility Liabilities**"), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (together with the hedging designated by the Issuer as being Super Senior Liabilities, the "**Hedging Liabilities**"), (vii) the lenders in relation to any future second lien facility agreement (a "**Second Lien Facility Agreement**" and the liabilities to the lenders under a Second Lien Facility Agreement being the "**Second Lien Lender Liabilities**" and creditors thereof being the "**Second Lien Lenders**"), (viii) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and (being the "**Second Lien Noteholders**" and, together, with the Second Lien Lenders, the "**Second Lien Creditors**") and the Security Agent in relation to any second lien notes (such second lien notes being "**Second Lien Notes**" and the liabilities in respect of such Second Lien Notes being the "**Second Lien Notes Liabilities**" and together with the Second Lien Lender Liabilities, the "**Second Lien Liabilities**") (and, in each case, together with the applicable present and future liabilities and obligations (whether actual and contingent and whether incurred solely or jointly) of any Debtor and Third Party Security Provider to any arranger under the Debt Documents in respect thereof), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the "**Agent Liabilities**") and (x) the Security Agent, *pari passu* and without any preference between them; and

(ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the "**Topco Notes Liabilities**"), (ii) to any creditors under any future loan facility made available to any Topco Borrower (the "**Topco Facility Liabilities**" and together with the Topco Notes Liabilities, the "**Topco Liabilities**") (and, in each case, together with the applicable present and future liabilities and obligations (whether actual and contingent and whether incurred solely or jointly) of any Debtor and Third Party Security Provider to any arranger under the Debt Documents in respect thereof), and (iii) the liabilities owed under any future loan (a "**Topco Proceeds Loan**") made by any Topco Borrower for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "**Topco Proceeds Loan Liabilities**"), *pari passu* and without any preference between them.

Priority of Security

The Intercreditor Agreement provides that the Transaction Security shall rank and secure the Secured Obligations in the following order:

(i) first, the Senior Lender Liabilities, the Super Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Facility Liabilities and the Hedging Liabilities (and, in each case, the Agent Liabilities and Arranger Liabilities in respect thereof) *pari passu* and without any preference between them;

(ii) second, the Second Lien Lender Liabilities and the Second Lien Notes Liabilities *pari passu* and without any preference between them; and

(iii) third (to the extent of the Topco Shared Security), the Topco Liabilities pari passu and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower to the Secured Parties (as defined below) shall rank *pari passu* in right and priority of payment and without any preference between them in respect of the (i) Senior Lender Liabilities, (ii) Super Senior Liabilities, (iii) Senior Secured Notes Liabilities, (iv) Cash Management Facility Liabilities, (v) Hedging Liabilities, (vi) Second Lien Lender Liabilities, (vii) Second Lien Notes Liabilities, (viii) Topco Liabilities, (ix) Topco Proceeds Loan Liabilities, (x) Agent Liabilities, and (xi) any arranger in connection with the aforementioned liabilities.

The Intercreditor Agreement provides that the security created by the TopCo Independent Transaction Security shall rank and secure the applicable Topco Independent Secured Obligations *pari passu* and without any preference (but only to the extent the Topco Independent Transaction Security is expressed to secure those liabilities) subject to the order of application described in the section below titled "*—Application of Proceeds—Order of Application—Topco Independent Transaction Security*" and without prejudice to the equalization provisions of the Intercreditor Agreement.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Senior Secured Group to another member of the Senior Secured Group (other than any Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "**Intra-Group Liabilities**") will be subordinated to the Liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Notes Liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the "**Secured Parties**").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Senior Secured Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Issuer or to any other person who becomes a subordinated creditor (a "**Subordinated Creditor**") under the Intercreditor Agreement (the "**Subordinated Liabilities**") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties and to the Intra-Group Liabilities.

For the purposes of this description only:

"**Debt Documents**" means the Intercreditor Agreement and the documents creating or evidencing the Cash Management Facility Liabilities, the Hedging Liabilities, the Second Lien Liabilities, the Senior Secured Liabilities, any Senior Secured Notes Proceeds Loan Liabilities, the Topco Liabilities, the Topco Proceeds Loan Liabilities, the unsecured liabilities of any unsecured creditors who are party to the Intercreditor Agreement, the Subordinated Liabilities and the Intra-Group Liabilities (each as defined in this description), any document creating security in respect of the Secured Liabilities and any other document designated as such by the Security Agent and the Issuer.

"**Finance Documents**" means the Super Senior Revolving Facilities Agreement, the Guarantee Facility Agreement, any Permitted Senior Secured Facilities Agreement, any Permitted Super Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement, the indenture in respect of any Second Lien Notes, the facility agreement or other document or instrument documenting any Topco Facility, the indenture in respect of any Topco Notes and any document designated by the Issuer as an unsecured finance document under and in accordance with the Intercreditor Agreement.

"**Secured Creditors**" means the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors (each as defined below).

"**Secured Debt Documents**" means the documents relating to the Super Senior Liabilities, the Senior Secured Liabilities, the Second Lien Liabilities, the Topco Liabilities and the Hedging Liabilities and any other document designated as such by the Security Agent and the Issuer.

"**Third Party Security Provider**" means Topco and any person that has provided Transaction Security (including Topco Shared Security) but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates and which is designated by the Issuer (in its discretion).

"**Topco Independent Transaction Security**" refers to security (other than Transaction Security) which is created, or expressed to be created, by Topco, any Topco Borrower or any member of the Topco Group that directly holds shares in a Topco Borrower or any such person that is not a member of the Senior Secured Group and designated as such by the Issuer (in its discretion) (together, the "Topco Independent Obligors") in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Topco Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Topco Secured Parties or in favor of the Security Agent under a parallel debt or similar structure) and any such security granted by a member of the Senior Secured Group shall be limited to the shares and/or intercompany loans and other receivables owed to such member of the Senior Secured Group and shall be provided on a limited recourse basis. Topco Independent Transaction Security shall secure all liabilities and present and future obligations of each Topco Independent Obligor to the Topco Secured Parties under the Topco Finance Documents.

The Notes and the Notes Guarantee will be Senior Secured Notes Liabilities for the purposes of the Intercreditor Agreement. On the Issue Date, €175.0 million of the Super Senior Revolving Facilities Agreement and €250.0 million of the Guarantee Facility Agreement, each constituting Senior Secured Liabilities, will be existing under the Intercreditor Agreement, but no other Senior Secured Liabilities, Second Lien Lender Liabilities, Second Lien Notes Liabilities or Topco Liabilities will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under "*Description of the Notes—Certain Covenants*."

"**Topco Shared Security**" refers to security at any time which is created, or expressed to be created, over each of (i) the shares in the Issuer held by any direct shareholder of the Issuer, (ii) all receivables owed by the Issuer to a Topco Investor, Subordinated Creditor or other Holding Company or shareholder of the Issuer (including any Topco Proceeds Loan and the Topco Proceeds Loan Liabilities), (iii) the shares in any Topco Borrower which is a member of the Senior Secured Group, (iv) all receivables owed by a member of the Senior Secured Group under any Topco Proceeds Loan (or, in the case of a Topco Borrower which is a member of the Senior Secured Group, any Senior Secured Notes Proceeds Loan), (v) any escrow account relating to the proceeds of any Topco Liabilities and (vi), any other assets not falling within limbs (i), (ii), (iii), (iv) and (v) of this paragraph of a Topco Borrower, and (to the extent that the Issuer has confirmed to the Security Agent that the granting of such Security in favor of the Topco Shared Security Secured Obligations is not prohibited by any applicable prior ranking financing agreements) any other member of the Senior Secured Group and, in each case, designated as Topco Shared Security by the Issuer (in its discretion) in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Topco Shared Security shall secure all liabilities and present and future obligations of any member of the Senior Secured Group and Third Party Security Provider, and at any time after the incurrence of any Topco Liabilities by a Topco Borrower that is not a member of the Senior Secured Group, such Topco Borrower and each of its Restricted Subsidiaries (the "**Topco Group**"), each Debtor and each Third Party Security Provider to the Secured Parties under the Secured Debt Documents.

"**Transaction Security**" refers to security (from the Senior Secured Group, any Third Party Security Provider and Topco Shared Security (as defined above) (but excluding, for the avoidance of doubt, Topco Independent Transaction Security) (as defined above)) which is created, or expressed to be created, in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure). Transaction Security which is not Topco Shared Security shall secure all liabilities and present and future obligations of the Debtors and Third Party Security Providers to the Secured Parties (other than the creditors under the Topco Liabilities (the "**Topco Secured Parties**")) under the Debt Documents (other than the finance documents relating to the Topco Liabilities (the "**Topco Finance Documents**")).

Guarantee and Security: Topco Creditors

The creditors in respect of the Topco Liabilities (the "**Topco Creditors**") have the right to take, accept or receive the benefit of:

(i) any Topco Shared Security from any member of the Senior Secured Group or from a Third Party Security Provider in respect of the Topco Liabilities if and to the extent legally possible and subject to any agreed security principles, at the same time it is also offered either:

(A) to the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(B) (other than for security governed by Italian law) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee (or as *mandatario con rappresentanza* or representative for the security pursuant to Article 2414-bis of the Italian Civil Code, as the case may be) for the Secured Parties (or applicable class thereof):

(I) to the other Secured Parties (or applicable class thereof) in respect of their Liabilities; or

(II) to the Security Agent under a parallel debt structure, joint and several creditor structure or agency structure for the benefit of the other Secured Parties (or applicable class thereof),

and ranks in the same order of priority as described under "*Priority of Security*" above, provided that all amounts received or recovered by any Topco Creditor with respect to such Topco Shared Security are immediately paid to the Security Agent for application as set out under "*—Application of Proceeds*" below;

(ii) any guarantee, indemnity or other assurance against loss from any member of the Senior Secured Group in respect of the Topco Liabilities in addition to any guarantee, indemnity or assurance in the original form of any Topco Finance Documents or the Intercreditor Agreement, or given to all the Secured Parties as security for the Liabilities of the Topco Group, each Debtor and any Third Party Security Provider to the Secured Parties under the Debt Documents if, subject to any agreed security principles:

(A) (except for any guarantee, indemnity or other assurance permitted by the Finance Documents), the Secured Parties other than the Topco Creditors (the "**Priority Secured Parties**") (or applicable class thereof) already benefit from such a guarantee, indemnity or other assurance against loss or at the same time it is also offered to the Priority Secured Parties (or applicable class thereof) in respect of their liabilities and ranks in the same order of priority as described under "*—Priority of Debts*" and "*—Priority of Security*" above, as applicable; and

(B) all amounts received by any Topco Creditor with respect to such guarantee, indemnity or assurance are immediately paid to the Security Agent for application as set out under "*—Application of Proceeds*" below; and

(iii) any security, guarantee indemnity or other assurance against loss:

(A) from any person that is not a member of the Senior Secured Group; and

(B) from any member of the Senior Secured Group:

(a) in connection with any escrow or similar or equivalent arrangements relating to amounts held (or will be held) by a person which is not a member of the Topco Group prior to release of those amounts to a member of the Topco Group;

(b) in connection with any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Secured Liabilities not prohibited by the Intercreditor Agreement; or

(c) as otherwise permitted by the Intercreditor Agreement.

No security (other than pursuant to the secured documents relating to Topco Independent Transaction Security or Topco Shared Security or as described above) shall be granted by a member of the Senior Secured Group in respect of any Topco Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, Topco Liabilities, Super Senior Liabilities or Hedging Liabilities (each a "**New Debt Financing**"). The conditions include certification by the Issuer that such New Debt Financing is not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional, supplemental financing arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent in respect of any Priority Secured Liabilities and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) and/or to effect the ranking, priority guarantees and security of the New Debt Financing subject to certain conditions, including as regards the terms of any such new security in relation to such New Debt Financing (which shall be, unless otherwise agreed by the Issuer or otherwise required by the Issuer to the extent that the existing Transaction Security or Topco Independent Transaction Security is not being amended or released and the new Transaction Security or new Topco Independent Transaction Security only secures the New Debt Financing, substantially the same as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Where any indebtedness ("**Permitted Acquired Indebtedness**") which is not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Closing Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of any such person or which is otherwise acquired after the Closing Date (together an "**Acquired Person or Asset**"), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to subsist and there is no requirement to offer that security, guarantee, indemnity or other assurance in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Topco Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Topco Group or is excluded or exempt from being given under the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements), (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness), or (iii) where the grant of such security, guarantee, indemnity or other assurance against loss is prevented by the documentation in relation to such Permitted Acquired Indebtedness or would give rise to an obligation (including any payment obligation but not including any obligation to extend any Transaction Security ratably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors, members of the Group and Third Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities, the "**Senior Secured Creditor Liabilities**," the creditors in respect thereof being the "**Senior Secured Creditors**") at any time, *provided* that following certain acceleration events under each of the Super Senior Facilities Agreements, any Permitted Senior Secured Facilities Agreement, the Senior Secured Notes Indenture or any Permitted Super Senior Secured Facilities Agreement or following an Insolvency Event (defined below), payments may only be made by Issuer, the members of the Group or Third Party Security Providers and received by creditors in accordance with the provisions described below under "*—Application of Proceeds"* provided that there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of the Second Lien Debt

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "**Senior Secured Liabilities**" and together with the Second Lien Liabilities and Topco Liabilities being the "**Secured Liabilities**") have been discharged (the "**Senior Secured Discharge Date**"), the Issuer, the members of the Group and Third Party Security Providers may only make specified scheduled payments in respect of the Second Lien Liabilities, in accordance with the finance documents governing such Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions are that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it or is otherwise permitted under the Intercreditor Agreement), no payment stop notice has been issued to the agent or trustee for the relevant Second Lien Liabilities and no Senior Secured Payment Default (as defined below) has occurred and is continuing.

Certain specified payments in respect of Second Lien Liabilities are also permitted at all times, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing. These payments and basket amounts are substantially similar to those referenced for Topco Liabilities in (ii) of the next paragraph.

Permitted Payments in Respect of Topco Liabilities

Prior to the date which is the later of the Senior Secured Discharge Date and the first date (the "**Second Lien Discharge Date**") on which all Second Lien Liabilities have been discharged (the "**Priority Discharge Date**"), the Issuer, the members of the Group, Topco Borrowers and Third Party Security Providers may only make specified scheduled payments to the Topco Creditors or any Topco Borrower (in respect of the Topco Liabilities) or a Topco Investor (in respect of any Topco Proceeds Loan Liabilities only) (together the "**Topco Group Liabilities**") to the Topco Creditors or any holding company of the Issuer or other lender in respect of a Topco Proceeds Loan (in respect of the Topco Proceeds Loan Liabilities only) (such payments, collectively, "**Permitted Topco Payments**"):

(i) if:

(A) no Topco Payment Stop Notice (as defined below) is outstanding;

(B) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "**Senior Secured Payment Default**"), or under the Second Lien Facilities or Second Lien Notes (a "**Second Lien Payment Default**"); and

(C) the payment is of (1) any amount of principal or capitalized interest in respect of the Topco Liabilities which is (x) not prohibited by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or any required consents to permit such payment have been obtained or (y) required in connection with a Non-Distressed Disposal (as defined below) or any other transaction not prohibited by the terms of any Finance Documents or for claims and other proceeds sought before the occurrence of an acceleration event has occurred and is continuing or the enforcement of any Transaction Security pursuant to such acceleration event, (2) any other amount which is not an amount of principal or capitalized interest (such other amounts including all scheduled interest payments (including, if applicable, special interest or liquidated damages), the accrual of cash interest otherwise payable during a period when a Topco Payment Stop Notice is outstanding and default interest on the Topco Liabilities, accrued and payable in accordance with the terms of the relevant Topco Finance Document (as at the date of the issue of the same or as amended in accordance with the terms of the Intercreditor Agreement and the other Debt Documents), Additional Amounts payable as a result of the tax gross-up provisions relating to Topco Liabilities and amounts in respect of currency indemnities in any Topco Finance Document), (3) made in pursuance of a debt buy-back program approved by the Majority Senior Secured Creditors, Majority Super Senior Creditors and Majority Second Lien Creditors (each as defined below), or (4) amounts due under any syndication strategy letter relating to the Topco Finance Documents;

(ii) if, notwithstanding that a Topco Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (N) below) a Senior Secured Payment Default and/or a Second Lien Payment Default has occurred and is continuing and (if the Topco Borrower is a guarantor or borrower under any prior ranking debt facilities at such time, other than in respect of paragraph (L) below) irrespective of whether any creditors under prior ranking debt facilities have accelerated their debt, the payment is not prohibited to be made at such time by any prior ranking financing agreements (in respect of the Senior Secured Liabilities and the Second Lien Liabilities), or the payment is (without double counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Topco Finance Documents, (B) of commercially reasonable advisory and professional fees, costs or expenses for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and any fees, costs or expenses of the relevant Topco Agent (as defined below) not exceeding €1,500,000 in aggregate, but excluding the costs of any litigation against a Senior Secured Creditor or Second Lien Creditor (or their affiliates), (C) of any amounts owed to a Topco Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Topco Finance Documents (including in relation to any reporting or listing requirements under the Topco Finance Documents), (F) of any other amount not exceeding €5,000,000 in aggregate in any financial year of the Issuer, provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year (where it shall be deemed to have been used first), (G) of any amount of the Topco Liabilities which would have been payable but for the issue of a Topco Payment Stop Notice (which has since expired and no new Topco Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Topco Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Topco Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred under the Senior Secured Liabilities or Second Lien Liabilities or would occur as a result of making such payment, (H) for as long as an event of default under the Senior Secured Liabilities, Second Lien Liabilities or Topco Group Liabilities documents which is continuing, all or part of the Topco Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Issuer (a "**Debt for Equity Swap**") provided that no cash or cash equivalent payment is made in respect of the Topco Liabilities, that it does not result in a Change of Control as defined in any prior ranking finance agreement or Topco Finance Document and that any Liabilities owed by a member of the Senior Secured Group to another member of the Senior Secured Group, to the Subordinated Creditors or to any other holding company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Secured Liabilities and Second Lien Liabilities pursuant to the Intercreditor Agreement and the Senior Secured Creditors and Second Lien Creditors are granted Transaction Security in respect of any of those Intra-Group Liabilities or Subordinated Liabilities owed by any member of the Senior Secured Group, (I) of non-cash interest made by way of capitalizing interest or issuing a non-cash-pay financial instrument which is subordinated on the same terms as the Topco Liabilities, (J) of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence or any other reasonable and ordinary course administrative and maintenance costs and expenses of a Topco Borrower or an Affiliate thereof, (K) if the payment is funded directly or indirectly with the proceeds of Topco Liabilities incurred under or pursuant to any Topco Finance Documents, (L) if the payment is made by the Topco Borrower in respect of its obligations under the Topco Finance Documents; and such payment is not directly or indirectly sourced from a member of the Senior Secured Group or such payment is funded from proceeds received by the Topco Borrower from the Senior Secured Group without breaching the terms of the Debt Documents, (M) if the payment is of a principal amount of the Topco Liabilities and made in accordance with a provision in a Topco Finance Document relating to prepayment upon illegality or any other provision that permits the repayment in full of the participation of any Topco Creditor (without a related requirement to repay all other Topco Creditors), including a provision (if any) in a Topco Finance Document which is substantially equivalent to the prepayment of a single lender in the event of a tax gross-up, increased costs or other indemnity becoming payable and (N) if no Senior Secured Payment Default or Second Lien Payment Default has occurred and is continuing the payment is a payment of principal, interest or any other amounts made on or after the final maturity date of the relevant Topco Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Topco Finance Document as of the date of first issuance or borrowing (as the case may be) of the applicable Topco Liabilities); or

(iii) if the requisite Senior Secured Creditors, Super Senior Creditors and Second Lien Creditors give prior consent to that payment being made.

A reference in the section above to a payment shall be construed to include any other direct or indirect step, matter, action or dealing in relation to any Topco Liabilities which are otherwise prohibited under the Intercreditor Agreement.

On or after the Priority Discharge Date, the Debtors, the Topco Borrowers and the Third Party Security Providers may make payments in respect of the Topco Group Liabilities in accordance with the Topco Finance Documents and the Topco Proceeds Loan Agreement (as applicable).

Topco Liabilities Payment Block Provisions

A Topco Payment Stop Notice (as defined below) is outstanding from the date falling one Business Day after the date on which, following the occurrence of an event of default under any Senior Secured Liabilities (a "**Senior Secured Event of Default**") or an event of default under the Second Lien Liabilities (a "**Second Lien Event of Default**"), the Security Agent (acting on the instructions of the requisite Super Senior Creditors, Senior Secured Creditors or Second Lien Creditors gave the instructions for the relevant stop notice to be delivered) (a "**Topco Payment Stop Notice**") to the agent under any Topco Facility (the "**Topco Agent**") and the trustee under any Topco Notes (the "**Topco Notes Trustee**") advising that the Senior Secured Event of Default or

Second Lien Event of Default is continuing and suspending payments by the Senior Secured Group of the Topco Liabilities, until the first to occur of:

(i) the date falling 179 days after delivery of that Topco Payment Stop Notice;

(ii) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Topco Liabilities;

(iii) if a Topco Standstill Period (as defined below) commences after delivery of that Topco Payment Stop Notice, the date on which such standstill period expires;

(iv) the date on which the relevant Senior Secured Event of Default or Second Lien Event of Default has been remedied or waived;

(v) the date on which the Security Agent (acting on the instructions of whichever of the Majority Super Senior Creditors, Majority Senior Secured Creditors or Majority Second Lien Creditors gave the instructions for the relevant Topco Payment Stop Notice to be delivered) delivers a notice to the Topco Borrower, the Topco Agent and the Topco Notes Trustee cancelling the Topco Payment Stop Notice;

(vi) the Priority Discharge Date; and

(vii) the date on which the Topco Creditors take any enforcement action that is permitted under the Intercreditor Agreement (see "*—Permitted Topco Enforcement*" below).

No Topco Payment Stop Notice may be delivered by the Security Agent in reliance on a Senior Secured Event of Default or a Second Lien Event of Default more than 45 days after the occurrence of the relevant event of default. No more than one Topco Payment Stop Notice may be served (i) with respect to the same event or set of circumstances, or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Topco Group Liabilities as a result of the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Topco Group Liabilities, or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Topco Group Liabilities (a "**Topco Enforcement Notice**") on behalf of the Topco Creditors.

Payment Obligations and Capitalization of Interest Continue

Nothing in the Second Lien or Topco payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Topco Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default, that Topco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default or Second Lien Payment Default ceases to be continuing; and

(ii) the relevant Debtor or Topco Borrower then promptly pays to the Topco Creditors or any party that has acceded to the Intercreditor Agreement as a creditor under a Topco Proceeds Loan (the "**Topco Investors**") (in respect of the Topco Proceeds Loan Liabilities only) an amount equal to any payments which had accrued under the Topco Finance Documents or the Topco Proceeds Loan Agreement (as applicable) and which would have been Permitted Topco Payments but for that Topco Payment Stop Notice or Senior Secured Payment Default or Second Lien Payment Default (as the case may be), then any event of default which may have occurred under a Topco Finance Document or Topco Proceeds Loan Agreement and any Topco Enforcement Notice which may have been issued as a result of that suspension of payments shall be waived without any further action being required.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if, at any time prior to the latest to occur of the Super Senior Discharge Date (as defined below), the Senior Secured Discharge Date, the Second Lien Discharge Date and the first date on which all of the Topco Liabilities have been fully discharged (the "**Topco Discharge Date**") (the "**Final Discharge Date**") any creditor (other than a Senior Secured Creditor) receives or recovers from any Debtor, member of the Senior Secured Group or Third Party Security Provider:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "—*Application of Proceeds*";

(ii) other than where specific set-off provisions apply, any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

    (A) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Senior Secured Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event); or

    (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below under "*Application of Proceeds*" and, in the case of any Intra-Group Liabilities, any amounts received or recovered in accordance with the Intercreditor Agreement (to the extent permitted to be received or recovered notwithstanding the occurrence and continuation of an Acceleration Event);

(iv) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "—*Application of Proceeds*"; or

(v) other than where specific set-off or New Debt Financing provisions apply, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Senior Secured Group or Third Party Security Provider which is not in accordance with the provisions set out below under "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Debtor, member of the Senior Secured Group or Third Party Security Provider,

That creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time prior to the Final Discharge Date, any Senior Secured Creditor receives or recovers from any Debtor, any member of the Senior Secured Group or Third Party Security Provider (x) any proceeds from the enforcement of security or from a Distressed Disposal (as defined below) or following an acceleration event or the enforcement of security, any proceeds arising from any of the charged property or (y) any other amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under "—Application of Proceeds."

Effect of Insolvency Event

"**Insolvency Event**" is defined as, in relation to any Obligor, Material Subsidiary (being each original obligor under each of the Super Senior Facilities Agreements and, subject to certain adjustments and the agreed security principles that apply to either of the Super Senior Facilities Agreements, each member of the Group that has an EBITDA representing 10.0% of the Consolidated EBITDA of the Group) or Third Party Security Provider, (a) the passing of any resolution or making of an order for insolvency, bankruptcy, winding up, dissolution, administration, examination or reorganization, (b) a moratorium is declared in relation to any of its indebtedness, (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (d) any analogous procedure or step is taken in any jurisdiction, other than (in each case), (i) frivolous or vexatious proceedings and which, if capable of remedy, are discharged, stayed or dismissed within 20 Business Days of commencement, or if earlier, the date on which it is advertised (or such other period as agreed), (ii) proceedings or appointments which the Security Agent is satisfied will be withdrawn or unsuccessful or (iii) as permitted under any Senior Secured Credit Facility Agreement or in any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of an Obligor, Material Subsidiary or Third Party Security Provider (in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) in respect of liabilities shall direct the person responsible for the distribution of such assets to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "*—Application of Proceeds*" below.

To the extent that any member of the Senior Secured Group or Third Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise and in the case of a Senior Secured Creditor, only to the extent such amounts constitute proceeds of enforcement) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, after the occurrence of an Insolvency Event, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery in relation to the Debtors, member of the Senior Secured Group or Third Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Enforcement of Security

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security or the Topco Independent Transaction Security without the prior written consent of the Majority Senior Secured Creditors and Majority Super Senior Creditors, the Majority Second Lien Creditors or Majority Topco Creditors (as applicable) otherwise as specified in the provisions described below.

An "**Instructing Group**" means:

(i) prior to the later of the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "**Super Senior Discharge** Date"), Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50.0% of the credit participations of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "**Majority Senior Secured Creditors**"), and Super Senior Creditors representing more than 50.0% of the credit participations of the Super Senior Secured Liabilities (the "**Majority Super Senior Creditors**") save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "*—Enforcement of Transaction Security*" below;

(ii) on or after the later of the Senior Secured Discharge Date and the Super Senior Discharge Date but before the Priority Discharge Date, Second Lien Creditors representing more than 50.0% of the credit participations of the Second Lien Liabilities (the "**Majority Second Lien Creditors**"); and

(iii) on or after the Priority Discharge Date but before the Topco Discharge Date, Topco Creditors representing more than 50.0% of the credit participations of the Topco Liabilities (the "**Majority Topco Creditors**").

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions, their respective representatives (and, if applicable, the hedge counterparties) shall deliver a copy of those instructions (an "**Initial Enforcement Notice**") to the Security Agent and to the other agents, trustees and hedge counterparties which did not deliver such Initial Enforcement Notice and these enforcement instructions shall be consistent with the Enforcement Principles.

The parties agree that any obligation of an Italian Debtor (including under any Transaction Security documents governed by Italian law) are subject to any applicable provisions under the Italian Bankruptcy Law (and when and to the extent applicable, the Italian Crisis and Insolvency Code and any other analogous provisions as applicable from time to time) and any other mandatory provisions of Italian law. In relation to any Transaction Security documents governed by Italian law, the parties agree that such instructions may include the right of the Secured Parties to take any available enforcement action together with the Security Agent to the extent either necessary or advisable pursuant to applicable Italian law.

The Security Agent will act in accordance with any instructions (provided they are consistent with the Enforcement Principles (as defined below)) received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors (x) determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or on the realization of proceeds and (y) deliver instructions they reasonably believe is consistent with the Enforcement Principles (as defined below) before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the later of the Senior Secured Discharge Date and the Super Senior Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Second Lien Creditors, where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement, or (vi) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors or the Majority Second Lien Creditors (as applicable) have not given instructions or they have instructed the Security Agent not to enforce or cease enforcing and have not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Majority Topco Creditors who are then entitled to give such instructions under the Intercreditor Agreement.

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Second Lien Creditors or Topco Creditors then entitled to give the Security Agent instructions either give such instruction or indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

"**Enforcement Principles**" means certain requirements as to the manner of enforcement, including that (i) to the extent consistent with a prompt and expeditious realization of value, the method of enforcement chosen should maximize the value realized from such enforcement, (ii) certain proceeds must be received in cash, and (iii) enforcement in relation to assets whose aggregate book value exceeds €5,000,000 or shares if not carried out by way of a public auction or other competitive sales process, shall (if the Security Agent is requested to do so by the Majority Super Senior Creditors or Majority Senior Secured Creditors) benefit from a fairness opinion from a reputable, independent and internationally recognized investment bank, firm of accountants or third party financial adviser which is regularly engaged in issuing such opinions (unless sufficient to discharge in full the Senior Secured Liabilities and the Super Senior Liabilities).

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement—Topco Independent Transaction Security

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Certain of the features set out below with respect to Topco Creditors may apply to the Second Lien Creditors, with appropriate modifications for the relative position in the capital structure.

Restrictions on Enforcement by Topco Creditors

Until the Priority Discharge Date, except with the prior consent of or as required by an Instructing Group, (i) no Topco Creditor or Topco Investor shall direct the Security Agent to enforce, or otherwise require the enforcement of any Transaction Security (including the crystallization of any floating charge forming part of the Transaction Security); (ii) no Topco Creditor nor Topco Investor shall take or require the taking of any Enforcement Action (as defined below) against any member of the Senior Secured Group or Third Party Security Provider (other than in each case (and to the extent not restricted by (i) above and (iii) below) against a Topco Borrower) in relation to the Topco Group Liabilities; and (iii) no Topco Creditor nor Topco Investor nor Topco Borrower shall take or require the taking of any Enforcement Action (as defined below) in relation to Topco Proceeds Loan Liabilities, except in the case of each of (i) through (iii) as set out under "*—Permitted Topco Enforcement*" below.

Other than as restricted by (i) and (iii) in the paragraph above, any Topco Creditor may at any time take any Enforcement Action (as defined below) against any person that is not a member of the Senior Secured Group, in each case in accordance with the terms of the Topco Finance Documents.

"**Enforcement Action**" is defined as:

(i) in relation to any liabilities (other than unsecured liabilities) (A) the acceleration of any liabilities or making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor to perform its obligations under, or of any prepayment arising under the Debt Documents), putting on demand, making of a demand, requiring a member of the Topco Group or Third Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising of rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;

(ii) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(iii) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Topco Independent Transaction Security (including the crystallization of any floating charge) as a result of an acceleration event;

(iv) entering into any composition, compromise, assignment or similar arrangement with any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant finance documents); or

(v) petitioning, applying, voting for or taking steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or reorganization of any Third Party Security Provider or a member of the Topco Group which owes any liabilities or has given security or guarantees or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third Party Security Provider or member of the Topco Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third Party Security Provider or member of the Topco Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action (A) suing, commencing proceedings or taking any action referred to in paragraph (i)(B) and (v) where necessary to preserve a claim, (B) discussions between or proposals made by the Priority Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by Intra-Group Creditors or Subordinated Creditors to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Senior Secured Group provided that the ownership interest of the member of the Senior Secured Group is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, and (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "**Cash Management Facility Lender**"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities or Topco Liabilities to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud.

Permitted Topco Enforcement

The restrictions set out above under "—*Restrictions on Enforcement by Topco Creditors*" will not apply in respect of the Topco Group Liabilities, Topco Proceeds Loan Liabilities, or any Transaction Security securing the Topco Group Liabilities, if:

(i) an event of default (the "**Topco Event of Default**") under a Topco Finance Document or a Topco Proceeds Loan Agreement (the "**Relevant Topco Default**") is continuing;

(ii) all agents or trustees in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, and Second Lien Liabilities have received a notice of the Relevant Topco Default specifying the event or circumstance in relation to the Relevant Topco Default from the Topco Agent, the Topco Notes Trustee or the Topco Borrower in relation to the relevant Topco Group Liabilities;

(iii) a Topco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Topco Default is continuing at the end of that Topco Standstill Period.

Promptly upon becoming aware of a Topco Event of Default, a Topco Notes Trustee, Topco Agent or Topco Investor (as the case may be) may give a Topco Enforcement Notice notifying any agent under a Permitted Senior Secured Facilities Agreement (the "**Senior Agent**"), senior secured notes trustee, the Second Lien Agent and any second lien notes trustee of the existence of such event of default.

"**Topco Standstill Period**" means the period beginning on the date (the "**Topco Standstill Start Date**") a Topco Enforcement Notice is served in respect of such a Relevant Topco Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Topco Standstill Start Date (the "**Topco Standstill Period**");

(ii) the date the Priority Secured Parties take any Enforcement Action in relation to a particular Debtor or Third Party Security Provider, *provided* that:

  (A) if a Topco Standstill Period ends pursuant to this paragraph (ii), the Topco Creditors or a Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may only take the same Enforcement Action in relation to a Topco Guarantor as the Enforcement Action taken by the Priority Secured Parties against such Topco Guarantor and not against any other member of the Senior Secured Group or Third Party Security Provider; and

  (B) Enforcement Action for the purpose of this paragraph (ii) shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined above) in relation to a particular Topco Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Topco Standstill Period outstanding at the date such first mentioned Topco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(v) the first date on which each of the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Second Lien Creditors (as applicable) have given their consent to the relevant Enforcement Action.

The Topco Creditors or Topco Investor (in respect of the Topco Proceeds Loan Liabilities only) may take Enforcement Action under the provisions described in this section (*Permitted Topco Enforcement*) in relation to a Relevant Topco Default even if, at the end of any relevant Topco Standstill Period or at any later time, a further Topco Standstill Period has begun as a result of any other event of default in respect of the Topco Liabilities.

Option to Purchase: Topco Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities, Second Lien Liabilities or Topco Liabilities, Topco Creditors may elect, by giving not less than 10 days' prior written notice to the Security Agent, to purchase all, but not part of, the Senior Lender Liabilities, Super Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Topco Creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a Transaction Security document or a Topco Independent Transaction Security document agrees that it shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor) promptly following receipt of a written request from the Issuer:

(i) release (or procure the release) from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents:

  (A) any security (and/or other claim relating to a Debt Document) over any asset which the Issuer has confirmed is the subject of:

    (1) a disposal not prohibited under the Finance Documents or where any applicable release and/or consent has been obtained under the applicable Finance Document including a disposal to a member of the Senior Secured Group but without prejudice to any obligation of any member of the Senior Secured Group in a Finance Document to provide replacement security;

    (2) any other transaction not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Senior Secured Group (or, to the extent any applicable Finance Document prohibits such transaction, the applicable Agent authorizes the release in accordance with the terms of the applicable Finance Document or the Required Creditor Consent for such transaction has been obtained),

    in each case where such disposal is not a Distressed Disposal (as defined below) (in each case, a "**Non-Distressed Disposal**");

  (B) any security (and/or other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Senior Secured Group to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement to the extent that the Issuer has confirmed that such action is not prohibited by any Finance Document;

  (C) any security (and/or other claim relating to a Debt Document) over any asset of any member of the Senior Secured Group which has ceased or will cease to be a Debtor or guarantor to the extent that the Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements); and

  (D) any security (and/or other claim relating to a Debt Document) over any other asset to the extent that the Issuer has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements);

(ii) in the case of a disposal of share or ownership interest in a Debtor, other member of the Senior Secured Group or any holding company of any Debtor or any other transaction pursuant to which a Debtor, other member of the Senior Secured Group or any holding company of any Debtor will cease to be a member of the Topco Group or a Debtor, release or procure the release of that Debtor or other member of the Senior Secured Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security or Topco Independent Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document); and

(iii) to effect a novation or transfer of all the rights and obligations of a borrower which has incurred Senior Lender Liabilities, Super Senior Liabilities or Second Lien Liabilities under the applicable Secured Debt Documents to permitted transferees in certain permitted circumstances.

When making any request for a release pursuant to paragraphs (i)(A), (i)(B) or (ii) above, the Issuer shall confirm in writing to the Security Agent, that the relevant disposal or other action is not prohibited as at the date of completion of such release or, at the option of the Issuer, on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (i)(C) or (i)(D) above, the Issuer shall confirm in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles (as defined in each of the Super Senior Facilities Agreements).

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Senior Secured Group or holding company of any Debtor or any other transaction pursuant to which a Debtor, member of the Senior Secured Group or holding company of any Debtor will cease to be a member of Topco Group or a Debtor, to the extent the Issuer has confirmed to the Security Agent that it is not prohibited by the Finance Documents, if such member of the Topco Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document.

Distressed Disposals

"**Distressed Disposal**" means a disposal of an asset or shares of, or other financial securities issued by a member of the Senior Secured Group or, in the case of a Third Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event, (b) by enforcement of the Transaction Security as a result of an acceleration event, or (c) after the occurrence of an acceleration event or the enforcement of Transaction Security as a result of an acceleration event, by a Debtor or Third Party Security Provider to a person or persons which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third Party Security Provider or Debtor):

(i) to release the Transaction Security or any other claim over that asset, enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Third Party Security Providers and Debtors;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intra-group lender, a Topco Investor, Subordinated Creditor or a Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "**Transferee**")) will be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement) to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,

on behalf of, in each case, the relevant creditors, Third Party Security Providers and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

(A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above in (iv)) shall be paid to the Security Agent for application in accordance with the provisions set out under "—*Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred pursuant to (iv) above, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities pursuant to (iv) and (v) above) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price), and shall in all cases comply with the requirements set out in the paragraphs below (as applicable) and act in accordance with them (as applicable).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, Subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities or other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

If a Distressed Disposal is being effected at a time when the Majority Topco Creditors are entitled to give, and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor or any Second Lien Creditor unless those borrowing liabilities or guarantee liabilities or other liabilities and any other Senior Secured Liabilities or Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) immediately following that release.

Where borrowing liabilities, guarantee liabilities or other liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities, guarantee liabilities or other liabilities transferred to a holding company of the Issuer specified by such creditor, in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities, guarantee liabilities or other liabilities.

Subject to the paragraphs below, if a Distressed Disposal (or a disposal of liabilities pursuant to paragraphs (iv) and (v) above) is being effected by or at the request of the Security Agent, unless the consent of each Senior Agent and each Senior Secured Notes Trustee (as applicable) has been obtained, it is a further condition to any release, transfer or disposal under paragraphs (i) to (v) above that:

(i) the consideration for such sale or disposal is in cash (or substantially all in cash); and

(ii) such sale or disposal (including any sale or disposal of any claim) is made:

  (A) pursuant to a competitive sales process; or

  (B) where a reputable, independent and internationally recognized investment bank, firm of accountants or third party financial adviser selected by the Security Agent has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent and disclosed to the Senior Secured Creditors, the Second Lien Creditors and the Topco Creditors on a non-reliance basis) that the proceeds received or recovered in connection with such sale or disposal are fair from a financial point of view taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third party financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Second Lien Discharge Date, a Distressed Disposal (or a disposal of Liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Second Lien Liabilities and/or Transaction Security securing Second Lien Liabilities will be released, transferred or disposed pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer, or disposal under paragraphs (i) to (v) above that either:

(i) the Second Lien Agent and each Second Lien Notes Trustee have approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:

  (A) the consideration for such sale or disposal is in cash (or substantially in cash); and

  (B) at the time of completion of the sale or disposal the borrowing liabilities, guarantee liabilities or other liabilities owing to each of the Secured Creditors all claims of the Secured Parties and unsecured creditors are sold or disposed of, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or one of its affiliates), and in each case all Transaction Security, Topco Independent Transaction Security or other security in favor of the Secured Parties in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each Senior Agent and Senior Secured Notes Trustee:

    (I) acting reasonably and in good faith determine that the Senior Secured Creditors (collectively) will recover a greater cash amount if such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding amount of the liabilities owed to the Priority Secured Parties (which shall be deemed to be the case if there are no bidders or if each Senior Agent and Senior Secured Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the liabilities owed to the Senior Secured Creditors); and

(II) serves a written notice on the Security Agent confirming the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent and internationally recognized investment bank, firm of accountants or third party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or

(II) where a reputable, independent and internationally recognized investment bank, firm of accountants or third party professional firm which has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third party professional firm unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If before the Topco Discharge Date, a Distressed Disposal (or a disposal of Liabilities pursuant to paragraphs (iv) and (v) above) is being effected such that any Topco Liabilities and/or Transaction Security securing Topco Liabilities will be released, transferred or disposed pursuant to the Intercreditor Agreement, it is a further condition to any release, transfer or disposal pursuant to the Intercreditor Agreement that either:

(i) each Topco Agent and Topco Notes Trustee have approved the release, transfer or disposal; or

(ii) where shares or assets of a borrower, issuer or guarantor (a “**Topco Guarantor**”) in respect of Topco Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially in cash); and

(B) at the time of completion of the sale or disposal the borrowing liabilities, guarantee liabilities or unsecured liabilities owing to each of the Secured Creditors all claims of the Secured Parties and unsecured creditors are sold or disposed of, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and not assumed by the purchaser or one of its affiliates), and in each case all Transaction Security, Topco Independent Transaction Security or other security in favor of the Secured Parties in respect of the assets of such members of the Group is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each Senior Agent, Senior Secured Notes Trustee, Second Lien Agent and Second Lien Notes Trustee:

(I) acting reasonably and in good faith determine that the Priority Secured Parties (collectively) will recover a greater cash amount if such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released or discharged and provided such amount is nevertheless less than the aggregate amount of outstanding amount of the liabilities owed to the Priority Secured Parties (which shall be deemed to be the case if there are no bidders or if each Senior Agent, Senior Secured Notes Trustee, Second Lien Agent and Second Lien Notes Trustee (acting reasonably and in good faith) determines that there are no bona fide and fully committed bids in cash or substantially all in cash in excess of the outstanding amount of the liabilities owed to the Priority Secured Parties) (the "**Priority Secured Liabilities**"); and

(II) serves a written notice on the Security Agent confirming the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities and Topco Liabilities are entitled to participate as prospective buyers and/or financiers; or

(II) where a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm which has delivered an opinion (including an enterprise valuation) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement (it being acknowledged that the Security Agent shall have no obligation to select or engage any investment bank, firm of accountants or third-party professional firm unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of Topco or any subsidiary of any holding company of the Issuer (other than a member of the Senior Secured Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities and any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) if the Super Senior Discharge Date has not occurred, for application towards the discharge of:

(A) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and

(B) Hedging Liabilities that have been designated by the Issuer as ranking alongside the Super Senior Lender Liabilities (the "**Super Senior Hedging Liabilities**") (on a *pro rata* basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above; and/or

(iv) if or after the Super Senior Discharge Date has occurred, for application towards the discharge of:

(A) the Senior Lender Liabilities and liabilities to arrangers thereof;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Hedging Liabilities which are not Super Senior Hedging Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;

(v) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(vi) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Senior Secured Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(vii) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities, the Second Lien Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(viii) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

(A) in accordance with paragraph (i) above;

(B) in accordance with paragraph (ii) above;

(C) in accordance with paragraphs (iii), or (as the case may be) (iv) and (v) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);

(D) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Secured Debt Document, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(E) the balance, if any, in payment to the relevant Debtor.

Order of Application—Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Senior Secured Group) (the "**Topco Recoveries**") shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(i) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) for application towards the discharge of:

(A) the Topco Facility Liabilities; and

(B) the Topco Notes Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A) and (B) above;

(iv) if none of the Debtors or Third Party Security Providers or Topco Independent Obligors is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider or Topco Independent Obligor; and

(v) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement provides that if, for any reason, any liabilities relating to Super Senior Liabilities, Senior Secured Liabilities, Second Lien Liabilities or Topco Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "**Enforcement Date**") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors will make such payments among themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "*—Application of Proceeds" or* "*—Turnover*" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of: (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (as described below) or as permitted by the Debt Documents, (i) the Security Agent may, if the Issuer consents, amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security or Topco Independent Transaction Security which shall be binding on each party, (ii) the Security Agent may, if the Issuer consents, amend, release and/or retake any Transaction Security Document where such amendment, release and/or retake is required in order to ensure the validity, perfection or priority of the Transaction Security purported to be created under such Transaction Security Document, together with any related or consequential waiver (including by reason of a failure to register such Transaction Security Document with Companies House within the prescribed time limit set out in section 859 of the Companies Act 2006, in which case the Security

Agent shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each party (iii) to authorize any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security or Topco Independent Transaction Security are distributed, prior written consent is required from (i) each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities, the Second Lien Liabilities and the Topco Liabilities, (ii) each Cash Management Facility Lender (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), (iii) each Hedge Counterparty (only to the extent that the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and (iv) the Issuer.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under "*—Amendments and Waivers: Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, claim or liabilities, or (ii) to any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "*—New Debt Financings,*" "*—Non-Distressed Disposals*" and "*—Distressed Disposals*" above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Snooze/Lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement or another applicable agreement (but excluding any indenture), any creditor fails to respond to the request within ten Business Days (or any other period of time notified by the Issuer, with the agreement of each of the agents or trustee in the case of a shorter period of time) or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

Provisions Following an IPO

Following an initial public offering of a member of the Senior Secured Group (or a holding company thereof) (an "**IPO**"), the Issuer is entitled to give notice that the terms of the Debt Documents will automatically operate so that, among other things, (i) the Senior Secured Group (and all related provisions) will now refer to the member of the Senior Secured Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such IPO (the "**IPO Pushdown Entity**," and if any Topco Notes are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall be the Topco Borrower) and its Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity.

Each holding company of the IPO Pushdown Entity shall be released from all obligations under the Debt Documents (including any Transaction Security) and each Subordinated Creditor, Third Party Security Provider, Investor (as defined in each of the Super Senior Facilities Agreements) or Topco Independent Obligor will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the majority lenders under and as defined in the Senior Lender Liabilities, noteholders representing more than 50.0% of any Senior Secured Notes Liabilities, the majority lenders under and as defined in any Second Lien Facility Agreement, noteholders representing more than 50.0% of any Second Lien Notes Liabilities, the majority lenders under and as defined in any Topco Facility and noteholders representing more than 50.0% of any Topco Notes Liabilities (following the relevant IPO), the Issuer and each subsidiary of the Issuer shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security or Topco Independent Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

Agreement to Override

To the extent any step or action is expressly permitted under the Intercreditor Agreement (or permitted subject to the consent of specified parties under the Intercreditor Agreement), the parties agree that such step or action will be permitted under the other Debt Documents (or permitted thereunder subject to the consent of such specified parties) and if there is any conflict between the terms of, or the requirement for any conditions in, the Intercreditor Agreement and any other Debt Document, the terms of, or the requirement for any conditions in, the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any member of the Group contravening any applicable law or regulation, or present a material risk of liability for any member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties), in each case notwithstanding any restriction or prohibition to the contrary, any provision expressed or purported to override any provision of the Intercreditor Agreement or the requirement to fulfil any additional conditions, in each case, in any other Debt Document.

Short term and bilateral credit facilities

The Issuer has entered into certain short term facilities agreements (including, among others, bank overdrafts, trade credit facilities and guarantee facilities, short term loans, currency forwards) as well as applied research and technological innovation loans with various financial institutions. These are often provided on an uncommitted basis and may be repayable on demand.

DESCRIPTION OF THE NOTES

Unless the context otherwise requires, in this "Description of the Notes," (i) the "Issuer" refers only to I.M.A. Industria Macchine Automatiche S.p.A. and any successor obligor of I.M.A. Industria Macchine Automatiche S.p.A. in respect of the Notes, and not to any of its Subsidiaries and (ii) the "Notes" also refers to "book-entry interests" in the Notes. You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "—Certain Definitions."

The following is a description of the €450.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2029 (the "**Notes**"). The Notes will be issued by I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) organized and existing under the laws of the Republic of Italy and registered with the Chamber of Commerce of Bologna under registration number and fiscal code 00307140376, VAT number 00500931209 (the "**Issuer**"), under an indenture to be dated as of the Issue Date (the "**Indenture**"), among, *inter alios*, the Issuer, IMA Life North America Inc. as guarantor, Kroll Trustee Services Limited, as security agent and legal representative (*mandatario con rappresentanza*) under the Indenture (in such capacity, the "**Security Agent**") and as representative (*rappresentante*) pursuant to and for purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code (in such capacity, the "**Security Representative**"), BNY Mellon Corporate Trustee Services Limited, as trustee (in such capacity, the "**Trustee**"), The Bank of New York Mellon, London Branch, as paying agent and calculation agent and The Bank of New York Mellon SA/NV, Dublin Branch, as registrar and transfer agent, in a private transaction that is not subject to the registration requirements of the Securities Act. See "*Notice to U.S. Investors*" and "*Notice to Certain Other Investors*". The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The terms of the Notes include those stated in the Indenture, and Holders are referred to the Indenture for a statement thereof.

The Notes issued hereby will be issued under a separate indenture and will trade separately under different ISIN/Common Code numbers than the Issuer's existing €450.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2028 (the "**Floating Rate Notes**") and the €830.0 million in aggregate principal amount of 3.75% Senior Secured Fixed Rate Notes due 2028 (the "**Fixed Rate Notes**," and together with the Floating Rate Notes, the "**Existing Notes**"). As a result, the Notes will not be fungible with the Existing Notes.

The gross proceeds from the Offering will be used: (i) to (a) repay in full and cancel the Existing Shareholder's Loans and (b) pay a dividend to our direct sole shareholder, Sofima PIK, in order for Sofima PIK to provide funds to its sole direct shareholder SOFIMA to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs; (ii) to finance or refinance, as applicable, certain indebtedness and costs incurred in connection with our M&A activity in 2024; and (iii) to pay the fees and expenses relating to the Offering. See "*Summary—The Transactions and Use of Proceeds*" and "*Use of Proceeds.*"

The Indenture will be unlimited in aggregate principal amount, of which €450.0 million in aggregate principal amount of Notes will be issued in the offering of the Notes hereby. We may, subject to applicable law and certain other conditions, issue an unlimited principal amount of additional notes having substantially identical terms and conditions as the Notes (any such additional Notes, the "**Additional Notes**"). We are permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*"). Except as otherwise provided for in the Indenture, the Notes issued in the offering of the Notes pursuant to this Offering Memorandum and, if issued, any Additional Notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase and all other matters which are not specifically distinguished for such series; *provided that* if the Additional Notes are not fungible (for U.S. federal income tax purposes and Italian tax purposes) with the Notes originally issued pursuant to this Offering Memorandum, such Additional Notes will be issued with a separate ISIN code, common code or other identifying number, as applicable, from the Notes originally issued. Unless otherwise excluded, in this "*Description of the Notes*," references to the "*Notes*" include the Notes any Additional Notes that are actually issued under the Indenture.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below), and in the case of certain conflicts between the terms of the Indenture and the

Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement actions, subordination of certain indebtedness, turnover obligations, release of security and guarantees, terms relating to certain IPO debt pushdowns and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Notes Guarantees, the Indenture and the Transaction Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Transaction Security Documents for complete descriptions of the obligations of the Issuer and the Guarantors (as defined below) and your rights. Copies of such documents are available from us upon written request as described under "*Where You Can Find Additional Information*" in this Offering Memorandum.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and will be subject to certain transfer restrictions. See "*Notice to U.S. Investors*" and "*Notice to Certain Other Investors.*"

Brief Description of the Notes and the Notes Guarantees

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment to all existing and future senior indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Revolving Facility, the Guarantee Facility and the Existing Notes;
- rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Charged Property to the extent of the value of the Charged Property;
- be effectively subordinated to any existing and future indebtedness (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness;
- be effectively subordinated to any existing or future indebtedness or obligations of the Subsidiaries of the Issuer that are not Guarantors;
- mature on April 15, 2029; and
- be represented by registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes (as defined herein) (see "*Book-Entry, Delivery and Form*" in this Offering Memorandum).

Under the terms of the Intercreditor Agreement, in the event of any enforcement of the Charged Property, Holders in respect of the Notes will be treated as *pari passu* among each other, although they will receive proceeds from the enforcement of the Charged Property only after certain obligations entitled to receive proceeds from the enforcement of the Charged Property in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Facility and Guarantee Facility, (ii) certain Hedging Obligations and (iii) certain other super priority Indebtedness Incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Charged Property in priority to the Notes.

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*—Certain Covenants—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

As of December 31, 2023, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated subsidiaries would have had €2,095 million of consolidated total debt, of which €450 million is represented by the principal amount of the Notes offered hereby, €1,273 million is represented by the Existing Notes (valued at amortized cost) and €25 million is represented by the principal amount of indebtedness outstanding under the Revolving Credit Facility. See "*Capitalization*." As of the same date, after giving pro forma effect to the Transactions, the Issuer would have had €150 million available for borrowing under the Revolving Facility and €141.5 million available under the Guarantee Facility. See "*Description of Certain Financing Arrangements.*" Although the Indenture restricts or will restrict the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries in excess of the limitations described under "*—Certain Covenants—Limitation on Indebtedness*," such limitations are subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the Issuer or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

The Notes Guarantees

On the Issue Date, subject to the limitations described herein, the Agreed Security Principles and the Intercreditor Agreement, the Notes will be guaranteed on a senior basis by IMA Life North America Inc. None of the Issuer's other Subsidiaries are required to provide a Notes Guarantee on the Issue Date. The obligations of the Issuer pursuant to the Notes will also be guaranteed (the "**Notes Guarantees**"), jointly and severally on a senior basis by each subsidiary of the Issuer that becomes a guarantor under the Revolving Facility and the Existing Notes (IMA Life North America Inc., together with any additional Restricted Subsidiary that may provide a Note Guarantee from time to time, the "**Guarantors**"). The Notes Guarantees will be subject to the limitations described under "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations.*"

Each of the Notes Guarantees will, upon issuance:

- be general senior obligations of the applicable Guarantor;
- rank pari passu in right of payment with all of the applicable Guarantor's existing and future senior indebtedness that is not expressly subordinated in right of payment to such Notes Guarantee, including that Guarantor's obligations under the Revolving Facility, the Guarantee Facility and the Existing Notes;
- rank senior in right of payment to any existing and future indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to its Notes Guarantee; and
- be effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure its Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance, unlawful financial assistance or infringement of capital maintenance or corporate benefit rules under applicable law, and otherwise to reflect limitations under applicable law or as set out in the Indenture or respective supplemental indenture. In addition, each Notes Guarantee will be further limited as required by the Agreed Security Principles, as described below under "*The Guarantees—General.*" By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect* *their validity and enforceability*." The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

Principal and Maturity

On the Issue Date, the Issuer will issue €450.0 million in aggregate principal amount of Notes. The Notes will mature on April 15, 2029. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate per annum, reset quarterly, equal to the sum of EURIBOR (subject to a 0.0% floor), *plus* 3.75% (such sum, the "**Applicable Rate**"), as determined by the Calculation Agent. Interest on the Notes will:

- accrue from the Issue Date;
- be payable quarterly in arrears, on each January 15, April 15, July 15 and October 15, beginning on July 15, 2024;
- be payable to the Holder of record of such Notes on the Business Day immediately preceding the related interest payment date;
- be payable entirely in cash in euros; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest on overdue principal and interest, as applicable, will accrue at a rate that is 1% higher than the then-applicable rate of interest. In no event, however, will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law; *provided, however,* that the Calculation Agent (as defined below) shall not be responsible for verifying that the rate of interest on the Notes is permitted under applicable law.

The Calculation Agent will, as soon as practicable after 11:00 a.m., London time, on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable on the Notes in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360; *provided, however,* that interest shall only be paid in respect of Notes outstanding on the applicable interest payment dates. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties; *provided that* the Applicable Rate on the Notes will in no event be higher than the maximum rate permitted by applicable law. The Trustee and the Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

If the Issuer determines that the EURIBOR rate is no longer being calculated or administered, or it becomes illegal for the Calculation Agent to determine any amounts due to be paid, as at the relevant Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer, in consultation with an Independent Financial Advisor appointed by the Issuer, and promptly thereafter notified by the Issuer to the Holders and the Calculation Agent, the Paying Agent and the Trustee shall be the new rate replacing EURIBOR (the "**EURIBOR Successor Rate**"); *provided, however,* that if the Independent Financial Advisor determines that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Independent Financial Advisor shall determine an appropriate alternative rate, and the decision of the Independent Financial Advisor will be binding on the Issuer, the Calculation Agent and the Holders, and the Issuer shall certify (by way of an Officer's Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least ten Business Days prior to any Determination Date, such EURIBOR Successor Rate (upon which each of the Trustee, the Calculation Agent and the Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such EURIBOR Successor Rate without any further action or consent by the Holders of the Trustee; *provided further* that any such alternative rate adopted pursuant to this paragraph shall in all cases never be less than 0.00%. Following the adoption of an alternative rate pursuant to this paragraph, all references to "EURIBOR" in the Indenture shall be deemed (*provided that* the EURIBOR Successor Rate does not, without the prior agreement of the Trustee, the Paying Agent or the Calculation Agent, as applicable, have the effect of increasing the obligations or duties, or decreasing the rights or protections, of the Trustee, Paying Agent or the Calculation Agent under the Indenture) to refer to such alternative rate.

The Calculation Agent will, upon the written request of the Holder of any Notes, provide the interest rate then in effect with respect to the Notes.

Set forth below is a summary of certain of the defined terms used in the Indenture relating to the calculation of interest on the Notes:

"**Calculation Agent**" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

"**Determination Date**," with respect to an Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"**EURIBOR**" with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page EURIBOR1 as of 11:00 a.m. Brussels time, on the Determination Date; *provided, however,* that EURIBOR shall never be less than 0.0%. If Reuters Page EURIBOR1 does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London office of each of four major banks in the eurozone interbank market, as selected by the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the eurozone interbank market for deposits in a Representative Amount in euros for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London, as selected by the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"**eurozone**" means the region comprised of member states of the European Union that adopt the euro as their official currency.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date.

"**Representative Amount**" means the greater of (a) €1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**Reuters Page EURIBOR1**" means the display page so designated by Reuters (or such other page as may replace that page on that service, or if no such page is available, Bloomberg page "EBF" or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"**TARGET Settlement Day**" means any day on which the real time gross settlement system operated by the Eurosystem, or any successor system is open for the settlement of payments in euro.

The rights of holders of beneficial interests in the Notes to receive payments (including payments of interest) on the Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided that* all such payments with respect to the Notes represented by one or more Global Notes, which will initially be registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes*."

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain a Paying Agent for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch (the "**Paying Agent**").

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent (the "**Transfer Agent**"). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon SA/NV, Dublin Branch. The Registrar, Transfer Agent and Paying Agent, as applicable, will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

Subject to the above, the Issuer may change the Paying Agent, Registrar, Transfer Agent or Calculation Agent for the Notes, as applicable, without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar, Transfer Agent or Calculation Agent in a daily newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.luxse.com*). The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or Calculation Agent in respect of the Notes.

Notes Guarantees

General

Subject to the limitations described herein, the Agreed Security Principles and the Intercreditor Agreement, on the Issue Date, the Notes will be guaranteed by IMA Life North America Inc. Subject to and in accordance with the Agreed Security Principles (as defined herein), the Notes will also be guaranteed on a senior basis by each Subsidiary of the Issuer that is a guarantor under the Revolving Facility and the Existing Notes. The Notes Guarantees will be subject to the limitations described under "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*." See also "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Notes Collateral may adversely affect their validity and enforceability*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability*."

In addition, as described under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles and the limitations described therein, certain Subsidiaries of the

Issuer that guarantee the Revolving Facility in the future or any Credit Facility in an aggregate principal amount in excess of €30.0 million or Public Debt of the Issuer or a Guarantor, in each case, shall also enter into one or more Notes Guarantees or supplemental indentures or other documents or instruments to become Guarantors of the Notes and accede to the Intercreditor Agreement.

Each Notes Guarantee will be subject to the Agreed Security Principles, which are described under the caption "—*Security*," and will also be limited to the maximum amount that would not render the applicable Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of non-U.S. law or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance, capital maintenance rules and other laws or will be limited as set out in the respective Notes Guarantee. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance laws and other limitations on the enforceability and the amount of the Guarantees and the Notes Collateral may adversely affect their validity and enforceability*," "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Enforcing your rights as a holder of the Notes and the Guarantees or the Notes Collateral across multiple jurisdictions may prove difficult*," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability*."

A portion of the operations of the Group are or will be conducted through Subsidiaries that are not expected to provide a Notes Guarantee, including those located in Excluded Jurisdictions, which are exempt from providing a Notes Guarantee or granting security over their shares and assets in accordance with the Agreed Security Principles. Claims of creditors of non-Guarantor Restricted Subsidiaries, including depositors, trade creditors and creditors holding claims under debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries (other than the Guarantors). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes*."

Notes Guarantees Release

The Notes Guarantee of a Guarantor will automatically terminate and release:

- upon a sale, exchange, transfer or other disposition (including by way of consolidation, merger or amalgamation) of the Capital Stock of a Guarantor that immediately prior to such sale or other disposition was a Subsidiary of the Issuer (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor, in each case, if the sale, exchange, transfer or other disposition is not prohibited by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and, in each case, such Guarantor ceases to be a Restricted Subsidiary as a result of the sale, exchange, transfer or other disposition;
- upon the designation of the Guarantor as an Unrestricted Subsidiary in accordance with the provisions of the Indenture or any event occurs after which such Guarantor is no longer a Restricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*";
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "—*IPO Debt Pushdown*";

- so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor that provides a guarantee under the Revolving Facility (i) is unconditionally released and discharged from its liability with respect to the Revolving Facility Agreement, and (ii) is not Guaranteeing any other Credit Facility in an aggregate principal amount in excess of €30.0 million or any Public Debt at the time;
- as described under "—*Amendments and Waivers*";
- as described under the covenant described under "—*Certain Covenants—Additional Guarantees*";
- upon payment in full of principal and interest and all other obligations under the Notes;
- with respect to any Guarantor which is not the continuing or surviving person in the relevant consolidation, merger or other transaction that would not be prohibited under "—*Certain Covenants—Merger and Consolidation*";
- upon the occurrence of a Covenant Suspension Event (as defined herein) or by written notice from the Issuer to the Trustee upon the Notes achieving an Investment Grade Status; *provided that* such Guarantor is not Guaranteeing the Revolving Credit Facility any Credit Facility in an aggregate principal amount in excess of €30.0 million or any other Public Debt at the time; provided further that if a Reversion Date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum the Issuer will use its commercially reasonable efforts to procure that any such Notes Guarantee that was released in reliance on this clause to be re-granted;
- with respect to any Guarantor, in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by the Issuer or a Restricted Subsidiary;
- in connection with (i) a transaction not prohibited by the Indenture pursuant to which a Guarantor is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist) or (ii) a Permitted Reorganization; or
- as otherwise permitted in accordance with the Indenture.

At the request and expense of the Issuer and, if applicable, at the request of the Security Agent, the Trustee shall execute any documents in connection with or take all reasonably necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release or amendment of a Notes Guarantee in accordance with these provisions. Each of the releases and amendments set forth above shall be effected by the Trustee, or, if applicable, the Security Agent, without any consent of the Holders or any other action or consent on the part of the Trustee. 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 of a Notes Guarantee has occurred, and that such release complies with the Indenture. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Security

General

On the Issue Date, the Notes may not be secured by any collateral. Sofima PIK submitted an application with the Italian Golden Power Authority (as defined herein) pursuant to the Italian Golden Power Legislation (as defined herein) with respect to the granting of a first ranking pledge over all shares of the capital stock of the Issuer (the "**Post-Clearance Share Pledge**") on March 20, 2024. Unless the Italian Golden Power Authority specifically opposes the granting of the Post-Clearance Share Pledge in its response to the application to receive the Italian Golden Power Clearance, as soon as reasonably practicable and, in any case, by the later of (i) the Issue Date and (ii) the 10th Business Day following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Post-Clearance Share Pledge, subject to the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements.

See "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral—On the Issue Date, the Notes may not be secured by any collateral. The Notes will not be secured by the Post-Clearance Share Pledge until we obtain the Italian Golden Power Clearance, and the outcome of such process is uncertain. If the Italian Golden Power Clearance is not received, the Notes will not be secured by the Post-Clearance Share Pledge and, therefore, the value of the Notes will be significantly reduced*" and "*Risk Factors—Risks Relating to the Notes, the Guarantee and the Notes Collateral— The enforcement of the Notes Collateral will require clearance by the Italian Golden Power Authority; moreover, we may continue to be subject to the Italian Golden Power Legislation.*"

In addition, subject to and in accordance with the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements, to the extent required by the Revolving Facility Agreement or the Guarantee Facility Agreement after the accession of any subsidiary as a guarantor, and to the extent not previously provided, each relevant Group company shall provide a pledge over the shares it owns in each material subsidiary or borrower under the Revolving Facility Agreement or the Guarantee Facility Agreement to secure the Notes (such pledges, together with the Post-Clearance Share Pledge, the "**Notes Collateral**").

The Notes Collateral will also secure on a first-ranking basis the Revolving Facility, the Guarantee Facility, the Existing Notes and certain Hedging Obligations.

The Notes Collateral is or will be pledged or assigned pursuant to the Transaction Security Documents to the Security Agent on behalf of the Holders, holders of the Existing Notes and lenders under the Revolving Facility, Guarantee Facility and other secured parties. The Notes Collateral, and any and all assets from time to time in which a Security Interest has been or will be granted pursuant to any Transaction Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, are collectively referred to herein as the "**Charged Property**." The taking of any future additional Charged Property (for the avoidance of doubt, other than Charged Property that is released and retaken pursuant to clause (1) under "*Release of Liens*," as would not be prohibited under "*—Certain Covenants—Impairment of Security Interest*" or otherwise in accordance with the provisions of the Indenture) will be subject to the Agreed Security Principles and all Charged Property will be subject to any Permitted Collateral Liens.

The Charged Property also secures or will secure the liabilities under the Guarantee Facility Agreement, the Revolving Facility Agreement, the Existing Notes and, in the future, may secure Hedging Obligations and other indebtedness (including any Additional Notes). Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Facility Agreement, the Guarantee Facility Agreement and certain Hedging Obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Indebtedness*" and permitted to be secured on the Charged Property on a super priority basis (see "*—Certain Definitions—Permitted Collateral Liens*") will receive priority over the Holders with respect to any proceeds received upon any enforcement action over any Charged Property. The proceeds from the enforcement of the Charged Property after all such obligations have been satisfied may not be sufficient to satisfy the obligations owed to the Holders. Any proceeds received upon any enforcement over any Charged Property, after all liabilities in respect of obligations under the Revolving Facility Agreement, Guarantee Facility Agreement and certain Hedging Obligations have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes, the Existing Notes and any other Indebtedness of the Restricted Subsidiaries permitted to be Incurred and secured by the Charged Property (other than on a junior basis) pursuant to the Indenture and the Intercreditor Agreement. See "*—Priority*."

No appraisals of the Charged Property have been made in connection with the offering of the Notes. By its nature, some or all of the Charged Property will be illiquid and may have no readily ascertainable market value. Accordingly, the Charged Property may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes*," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—It may be difficult to realize the value of the Notes Collateral*," and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer and its subsidiaries will have control over certain of the Notes*

Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes."

In addition, the Notes Guarantees and the Security Interests in the Charged Property may be released under certain circumstances. See "*—Notes Guarantees—Notes Guarantees Release*" and "*—Release of Liens*." Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Issuer is permitted to grant security over the Charged Property in connection with future issuances of its Indebtedness (including any Additional Notes) or Indebtedness of the Issuer and or any of the Restricted Subsidiaries, in each case, as not prohibited under the Indenture and the Intercreditor Agreement.

The Liens on the Charged Property will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, (including under Article 2358, 2374 of the Italian Civil Code), anti-trust and other competition authority restrictions, corporate purpose or benefit, capital maintenance or similar laws, regulations, tax restrictions or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*" in this Offering Memorandum.

Notwithstanding the foregoing and the provisions of the covenants described below under "*—Certain Covenants—Limitation on Liens" and "—Certain Covenants—Additional Guarantees*," certain property, rights and assets may not be pledged or assigned, and any pledge or assignment over property, rights and assets may be limited (or the Liens not perfected) and certain persons may grant Notes Guarantees or such Notes Guarantees may be limited, in each case, in accordance with the Agreed Security Principles.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Facility, the Guarantee Facility, the Notes, the Existing Notes and the Notes Guarantees. The Agreed Security Principles include restrictions on the granting of guarantees or security where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, "transfer pricing," " thin capitalization," "earnings stripping," "controlled foreign corporation" and other tax restrictions, "exchange control restrictions," " liquidity impairment" rules, rules, capital maintenance rules, retention of title claims and similar matters, or where the time and cost of granting the guarantee would be disproportionate to the benefit accruing to the Holders.

The following is a non-exhaustive summary of certain terms of the Agreed Security Principles, which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance (including under Article 2358 and Article 2374 of the Italian Civil Code), anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "transfer pricing," "thin capitalization," "earnings stripping," "controlled foreign corporation" and other tax restrictions, "exchange control restrictions," "capital maintenance" rules and "liquidity impairment" rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and the Restricted Subsidiaries (collectively, the "**Group**") to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly; *provided that*, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;
- the determination that the applicable time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration taxes, notarial costs, guarantee fees payable to any person

that is not a member of the Group and all applicable legal fees) related to granting the relevant guarantee and/or security (including in respect of the security, the extent of its perfection and/or registration) will not be disproportionate to the benefit accruing to the relevant secured parties of obtaining such guarantee or security. In particular, it is acknowledged that the Issuer and/or the Guarantor will not opt (where possible) for the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time. Accordingly, security that requires payment in Italy of an ad valorem registration tax on the amount of the secured obligations will not be taken unless it can be executed by way of exchange of correspondence. Non-Italian Security that requires payment of an ad valorem registration tax on the amount of the secured obligation will not be taken if tax duty cannot be minimized upon execution, Guarantees and Security will be limited so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount agreed between the Security Agent and the Issuer;

- the exclusion from any guarantee or security of any asset subject to a legal requirement, contract, lease, license, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant charger to take any action materially adverse to the interests of the Group or any member thereof; *provided that* reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to obtain consent to charging any asset (where otherwise prohibited) shall be used by the Group if the Security Agent specifies prior to the date of the security or accession document that the asset is material and the Issuer is satisfied that such endeavors will not involve placing relationships with third parties in jeopardy;

- the agreement that members of the Group will not be required to give guarantees or enter into security documents if they are not wholly owned by another member of the Group or if it is not within the legal capacity of the relevant members of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any director or officer of or for any member of the Group; *provided that*, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group, in relation to a contractual prohibition or restriction only, shall use reasonable endeavors (exercised for a specified period of time but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

- the requirement that, to the extent legally effective, all security shall be given in favor of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the secured creditors); *provided that* it shall be permissible to use “parallel debt” provisions where necessary (which shall be included in the Intercreditor Agreement and not the individual security documents) and in no event will “parallel debt” provisions apply to transaction security documents governed by Italian law or guarantees provided by members of the Group incorporated in Italy; and furthermore, the agreement that no member of the Group shall be required to take any action in relation to any guarantees or security as a result of any assignment or transfer of the Notes by a Holder;

- the limitation of guarantees and security so that the aggregate of notarial costs and all registration and like taxes and duties relating to the provision of security will not exceed an amount to be agreed between the Issuer and the Security Agent, and the agreement that where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;

- the agreement that security will not be required over any assets subject to third party arrangements which are permitted by the Indenture and which prevent those assets from being charged, or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);
- the agreement it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;
- the agreement that no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement;
- the agreement that the giving of a guarantee, the granting of security and the registration and/or the perfection of the security granted will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and the Intercreditor Agreement (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Event of Default which is continuing), and the agreement that any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to the Agreed Security Principles;
- the agreement that other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group;
- no security will be required to be granted over real estate, intellectual property, letter of credit rights, tort claims (or the equivalent in any jurisdiction), insurance policies, aircraft, ships and vessels, motor vehicles, governmental contracts or governmental or regulatory licenses, and no title investigations or other diligence on assets will be required and no title insurance will be required;
- the agreement that guarantees and security are to be given only by wholly owned Material Subsidiaries (as defined below) which are incorporated in Italy, the United Kingdom, the United States of America or any other jurisdiction in which a borrower under the Revolving Facility or the Guarantee Facility is incorporated, and not in any other jurisdiction (each other such jurisdiction, an "**Excluded Jurisdiction**"); and
- the agreement (i) that security in respect of the Notes and the Notes Guarantees only be granted over shares of wholly owned members of the Group that individually generate more than 5% of LTM EBITDA and are not located in an Excluded Jurisdiction or are otherwise unable to become a Guarantor (each a "**Material Subsidiary**") that become guarantors, (ii) that security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly owned by another member of the Group, (iii) that no other security shall be required to be given by any other person or over any other asset, including, for the avoidance of doubt, that no security over bank accounts will be granted by any member of the Group incorporated in Italy or Austria and (iv) no security will be required to be granted over certain categories of assets, including, among other things, real estate, intellectual property, letter of credit rights and insurance policies.

Priority

The relative contractual priority with regard to the security interests in the Charged Property that are created by the Transaction Security Documents (the "**Security Interests**" and each, a "**Security Interest**") as between (a) the lenders under the Revolving Facility and the Guarantee Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent, the Paying Agent, Registrar, Transfer Agent and Calculation Agent and any authenticating agent (collectively, the "**Agents**"), (d) the trustee, the agents and the holders of the Existing Notes under the Existing Notes Indenture and (e) the creditors of certain other Indebtedness (including the Notes and any Indebtedness that may be Incurred in the future) permitted to be secured by the Charged Property, respectively, will be established by the terms of the Intercreditor Agreement, the Indenture, the Notes and the Transaction Security Documents, which will provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Facility, Guarantee Facility, certain Hedging Obligations, the Existing Notes, the Notes, the Existing Notes Guarantees and the Notes Guarantees will be secured equally and ratably by first-priority security interests over the Charged Property. The Intercreditor Agreement will also provide, among other things, that the obligations of the Issuer and the Guarantors under the Revolving Facility, Guarantee Facility and certain Hedging Obligations will receive proceeds from the enforcement of the Charged Property in priority to the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Notes Collateral—Creditors under the Revolving Credit Facility, the Guarantee Facility, certain hedging liabilities and certain debt that the Issuer may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes*." In addition, subject to certain limitations, the Charged Property may be pledged to secure future Indebtedness, some of which may receive proceeds from the enforcement of the Charged Property in priority to the Notes. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Transaction Security Documents

Under the Transaction Security Documents, security will be granted over the Charged Property to secure, among other things, the payment, when due, of the Issuer's and the Guarantors' (if any) payment obligations under the Notes, the Notes Guarantees and the Indenture, as well as the Issuer's payment obligations under the Revolving Facility, Guarantee Facility, the Existing Notes and certain Hedging Obligations and other certain other future indebtedness. The Transaction Security Documents will be entered into by the relevant security provider and the Security Agent, as agent for the secured parties. When entering into the Transaction Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties' legal representative (*mandatario con rappresentanza*) (including itself, the Trustee and the Holders of Notes from time to time) and as representative (*rappresentante*) of the Holders pursuant to and for the purposes set forth under Article 2414-bis, paragraph 3, of the Italian Civil Code. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Facility and the Guarantee Facility, the Existing Notes and the counterparties under certain other future indebtedness in relation to the Security Interests created in favor of such parties.

The Indenture will provide and the Intercreditor Agreement provides that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Transaction Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Charged Property securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The security interests in the Notes Collateral will not be granted directly to the holders of the Notes*."

The Indenture will provide that, subject to the terms thereof and of the Transaction Security Documents and the Intercreditor Agreement, as applicable, the Notes and the Indenture will be secured by Security Interests in the Charged Property until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Transaction Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement is successful, the Holders may not be able to recover any amounts under the Transaction Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*."

Enforcement of Security Interest; Limitations

The Transaction Security Documents will provide that the rights under the Transaction Security Documents must be exercised by the Security Agent (including in its role as Security Representative). Since the Holders will not be a party to the Transaction Security Documents, Holders will not, individually or collectively, take any direct action to enforce any rights in their favor under the Transaction Security Documents. The holders may only act through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable).

To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Notes Collateral subject to customary protections and indemnification under the Indenture. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Transaction Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Facility Agreement or the Guarantee Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*." The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Notes Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Facility Agreement, the Guarantee Facility Agreement, the holders of the Existing Notes and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act on their behalf as agent under the Intercreditor Agreement and under the relevant security documents securing such Indebtedness, including the Transaction Security Documents. Furthermore, each Holder will have deemed to have appointed the Security Agent as *mandatario con rappresentanza* pursuant to Article 1704 of the Italian Civil Code and as representative (*rappresentante*) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code to act in its behalf. The creditors under the Revolving Facility Agreement, the Guarantee Facility Agreement, the holders of the Existing Notes and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agent under the Indenture and/or the Intercreditor Agreement (as applicable) to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Transaction Security Documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each relevant Transaction Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Trustee will be authorized (without any further consent of the Holders) to accede to the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents;

(2) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the Transaction Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents;

(4) agreed to, and accepted, the appointment of Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as representative (*rappresentante*) of the noteholders for the purposes of Article 2414-bis, paragraph 3, of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement, the Existing Notes Indenture, the Indenture and the Transaction Security Documents; and

(6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Transaction Security Documents (including the execution of, and compliance with, any waiver, modification, amendment, renewal or replacement expressed to be executed by the Trustee or the Security Agent on its behalf).

See the sections entitled "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The security interests in the Notes Collateral will not be granted directly to the holders of the Notes*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into as described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

Topco, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of their respective Charged Property under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Charged Property to (a) any person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and is otherwise not prohibited under the Indenture or (b) any Restricted Subsidiary; *provided that* this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or obligations under any structural intercompany receivables to a Restricted Subsidiary (except, in the case of accounts receivable, to a Securitization Subsidiary) unless the relevant property and assets (to the extent already secured in favor of the Notes) remain subject to, or otherwise become subject to a Lien, or substantially equivalent Liens are granted, in favor of the Notes following such transfer, sale or disposal;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations in respect of the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "Defeasance" and "Satisfaction and Discharge";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien in favor of the Notes, to the equity of the Issuer or any of the Restricted Subsidiaries to the extent such equity is, or will promptly following release of the Security Interest be, subject to a Lien in favor of the Notes; *provided that* such contribution is not prohibited by the Intercreditor Agreement;

(7) in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, including without limitation, as described under "*—IPO Debt Pushdown*";

(8) upon the occurrence of a Covenant Suspension Event or by written notice from the Issuer to the Trustee upon the Notes achieving an Investment Grade Status; *provided that* if a Reversion Date occurs, subject to the Agreed Security Principles and the limitations described in this Offering Memorandum, the Issuer will use its commercially reasonable efforts for a Lien of substantially equivalent value to such Lien that was released in reliance on this clause to be re-taken to the extent that the Group continues to own such assets that had constituted Charged Property on such date;

(9) in connection with (i) a transaction not prohibited by the Indenture pursuant to which such security provider is being liquidated, wound up, or dissolved (or pursuant to which it will otherwise cease to exist), (ii) a transaction permitted by the covenant as described under the caption "*—Certain Covenants—Merger and Consolidation*" or (iii) a Permitted Reorganization; or

(10) as would not be prohibited under "*—Certain Covenants—Impairment of Security Interest*" or otherwise would be permitted in accordance with the Indenture.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the Holders.

At the request and expense of the Issuer or the relevant pledgor, the Security Agent and, to the extent required or necessary pursuant to the Intercreditor Agreement or the relevant Transaction Security Document, the Trustee will take all necessary action required to effectuate any release of Charged Property securing the Notes and the Notes Guarantees, including executing and delivering any appropriate document or instrument evidencing such release (in the form provided by the Issuer), in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document, subject to customary protections and indemnification under the Indenture. Each of the releases set forth above shall occur automatically without the consent of the Holders or any action on the part of the Security Agent or Trustee (unless action is required by it to effect such release in accordance with the previous sentence). The Security Agent, and only to the extent any action is required by it to effect the release, the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and Opinion of Counsel, each certifying which circumstance, as described above, giving rise to a release of the Security Interests has occurred, and that such release complies with the Indenture.

Transfer and Exchange

The Notes will initially be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("**Rule 1**44A") will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will, on the Issue Date, be deposited with, and registered in the name of the nominee for, the common depositary for the accounts of Euroclear and/or Clearstream.

- Notes sold outside the United States pursuant to Regulation S under the Securities Act ("**Regulation S**") will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "Global Notes"). The Regulation S Global Notes will, on the Issue Date, be deposited with, and registered in the name of the nominee for, the common depositary for the accounts of Euroclear and/or Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to U.S. Investors" and "Notice to Certain Other Investors." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to U.S. Investors" and "Notice to Certain Other Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully in under "Notice to U.S. Investors" and "Notice to Certain Other Investors."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Transaction Security Documents shall operate (with effect from the date specified in such notice) as described under "Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions Following an IPO." Following such notice, among other things, the Group would comprise of the member of the Group or holding company of the Issuer who will issue shares or whose shares are to be sold pursuant to such Initial Public Offering (the "**IPO Pushdown Entity**") and its restricted subsidiaries, and the Indenture will include provisions to provide for substitution of the IPO Pushdown Entity as Issuer in accordance with the provisions of the Intercreditor Agreement. Any Parent Entity of the IPO Pushdown Entity would not be subject to the provisions of the Indenture and the other Notes Documents and any security over its assets may be released or if a Guarantor, its Notes Guarantee may be released, in each case, in accordance with the provisions of the Indenture, and the Trustee and the Security Agent shall be required to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and/or the Transaction Security Documents required by the Issuer, enter into any document or instrument in connection therewith and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph.

Optional Redemption

Except as described below and except as described under *"—Redemption for Taxation Reasons*," the Notes are not redeemable until April 15, 2025.

At any time prior to April 15, 2025, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of the principal amount of such Notes plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

At any time and from time to time on or after April 15, 2025, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than ten (10) nor more than 60 days' prior notice at a redemption price equal to 100.000% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the applicable redemption date.

General

Subject to compliance with the covenants contained herein, the Issuer and its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Notice of redemption will be provided as set forth under "—*Selection and Notice*" below. To the extent that the mandatory rules and procedures of the applicable depositary conflict with the Indenture, any notice will be deemed to satisfy the Indenture if it complies with the mandatory rules and procedures of the applicable depositary.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however,* that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to the provisions thereof), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for any series of the Notes, including a Change of Control Offer or Asset Disposition Offer, if Holders of the applicable series of Notes of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than ten (10) nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the applicable Notes of such series that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes of a series have validly tendered and not validly withdrawn Notes in a tender offer, Change of Control Offer or Asset Disposition Offer, as applicable, Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer, Change of Control Offer or Asset Disposition Offer, as applicable.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes prior to their maturity date.

In connection with any redemption of any Notes, neither the Trustee nor any Agent shall be required to pay out any money without first having been placed in funds.

Redemption at Maturity

On April 15, 2029, the Issuer will redeem the Notes, as the case may be, that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of a series of Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select such series of Notes for redemption on a pro rata basis (or, in the case of Global Notes as discussed under "Book-Entry, Delivery and Form," based on a method that most nearly approximates a pro rata selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee nor any Agent will be liable for any selections made in accordance with this paragraph.

For so long as the applicable series of Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) and in addition to such publication, not less than ten (10) nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar (with a copy to the Trustee and the Paying Agent). For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. Such notice of redemption may instead be published on the website of Luxembourg Stock Exchange (*www.luxse.com*).

If any series of Notes is to be redeemed in part only, the notice of redemption that relates to such series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note, or otherwise in accordance with the then-existing procedures of the relevant clearing system, to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, the applicable series of Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in paying the redemption price, on and after the redemption date, interest will cease to accrue on the applicable series of Notes or portions of such series of Notes called for redemption. In connection with any redemption of any Notes, neither the Trustee nor any Agent shall be required to pay out any money without first having been placed in funds.

Redemption for Taxation Reasons

The Issuer may redeem a series of the Notes in whole, but not in part, in its discretion at any time upon giving not less than ten (10) nor more than 60 days' prior written notice to the Holders of the applicable series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "Tax Redemption Date") and all Additional Amounts (as defined below under "Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations, official guidance or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations, official guidance or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice or guidance) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

a Payor (as defined below) is, or on the next interest payment date in respect of the relevant series of Notes would be, required to pay Additional Amounts with respect to such series of Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be both formally announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date).

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "Selection and Notice." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee and the Paying Agent (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee and the Paying Agent will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply mutatis mutandis to the laws and official positions of any jurisdiction in which any successor to the Payor is incorporated or organized or otherwise considered to be a resident for tax purposes or any jurisdiction from or through which such successor makes any payment on the Notes or any Notes Guarantees, and any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "**Payor**") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the applicable taxing authority's interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each

Holder in respect of such payments on any such Note in the absence of such withholding or deduction; *provided, however,* that no such Additional Amounts will be payable for or on account of:

(1) any Taxes, to the extent that such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or having a place of management present or deemed present, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Tax, to the extent that such Tax is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or Paying Agent addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction is payable), to provide certifications, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to do so;

(3) any Taxes, to the extent that such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Legislative Decree No. 239**") and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("**Legislative Decree No. 461**") and any related implementing regulations, *provided that*:

    (i) Additional Amounts shall be payable in circumstances where the procedure required under Legislative Decree No. 239 or Legislative Decree No 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with, solely due to the actions or omissions of the Issuer; and

    (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy included in the "White List" provided for by Decree of Minister of Economy and Finance of September 4, 1996, as subsequently amended or supplemented or replaced, or, once effective, in any other decree or regulation that will be issued in the future under the authority of Article 11(4)(c) of Legislative Decree No. 239) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of any decree or regulation that will be issued pursuant to Article 11(4)(c) of Legislative Decree No. 239 which may amend or supersede the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the new list;

(7) any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor or any Paying Agent so required will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and the Paying Agent. If obtained, such copies shall be made available to the Holders upon reasonable request, and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date the is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture or this "Description of the Notes" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay each applicable Holder, the Trustee and the Paying Agent for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, (A) in connection with a transfer of the Notes after this offering of the Notes, (B) to the extent that such stamp, issue, registration, court or documentary taxes, or any similar charges or levies becomes payable upon a voluntary registration made by the Holder if such registration is not required by any applicable law or not necessary to maintain, preserve, establish or enforce the rights or obligations of any Holder in relation to the Notes, any Note Guarantees, the Indenture, or any other document or instrument in relation thereto, and (C) any wealth tax (including Italian wealth tax on financial assets held abroad ("**IVAFE**") as regulated by article 19 of Law Decree no. 201/2011, and proportional stamp duties ("**imposta di bollo**") as regulated by Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree no. 642/1972) and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (7) of the first paragraph of this covenant or any combination thereof.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer of the Notes by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

The Indenture will provide that if a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this section, each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided that* Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101.000% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of repurchase; *provided, however,* that the Issuer shall not be obligated to repurchase Notes as described in this section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*."

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*," no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will deliver or cause to be delivered a notice (the "**Change of Control Offer**") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101.000% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than ten (10) days nor later than 60 days from the date such notice is mailed) (the "**Change of Control Payment Date**");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee and the Paying Agent an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, in accordance with the then-applicable procedures of the relevant clearing system, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly, at the cost of the Issuer, mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided that* each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or to the extent and in the manner permitted by such rules, post such notices on the official website of Luxembourg Stock Exchange (*www.luxse.com*).

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not or will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

Subject to the limitations discussed herein, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Triggering Event under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness*" and, in the case of Consolidated Total Secured Indebtedness, "*—Certain Covenants—Liens*." Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of all the then outstanding Notes. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may require a mandatory prepayment of the Existing Notes, the Revolving Facility Agreement and/or Guarantee Facility

Agreement. In addition, certain events that may constitute a change of control under the Revolving Facility Agreement and/or Guarantee Facility Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay amounts that might become due and payable upon the occurrence of an event of default, at final maturity or upon a change of control*."

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer to specified other persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property and assets of the Issuer. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture. For the avoidance of doubt, the consummation of any of the Transactions shall not be prohibited by the covenants below.

Limitation on Indebtedness

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) and the Issuer will not issue Disqualified Stock and will not permit any of the Restricted Subsidiaries to issue Preferred Stock; *provided that* the Issuer and any of the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) and the Issuer may issue Disqualified Stock and any of the Restricted Subsidiaries may issue Preferred Stock, if on the date of determination and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, "**Permitted Debt**"):

(1) the Incurrence by the Issuer or any of the Restricted Subsidiaries of Indebtedness under any Credit Facility (and the issuance and creation of letters of credit, guarantees and bankers' acceptances thereunder) in an aggregate principal amount at any time outstanding not to exceed the sum of:

  (a) the aggregate of an amount equal to the greater of (x) €279 million and (y) 65% of LTM EBITDA; plus solely under the Guarantee Facility, an amount equal to the greater of (x) €365 million and (y) 85% of LTM EBITDA; plus

  (b) the maximum amount of Senior Secured Indebtedness such that, on the date of determination, after giving pro forma effect to such Incurrence, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.10 to 1.00; plus

  (c) the maximum amount of Indebtedness that is secured by a Permitted Collateral Lien but is not Senior Secured Indebtedness ("**Junior Secured Indebtedness**") such that, on the date of determination, after giving pro forma effect to such Incurrence, either (x) the Consolidated

Total Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.35 to 1.00 or (y) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00; plus

(d) the maximum amount of Indebtedness that is not Senior Secured Indebtedness or Junior Secured Indebtedness such that, on the date of determination, after giving pro forma effect to such Incurrence, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.75 to 1.00,

provided that, in each case, any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if the principal amount of the Indebtedness Incurred in the refinancing does not exceed the greater of (i) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to the applicable sub-clause of this clause (1) on the date of determination for such refinancing and (ii) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees, costs and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums (including tender premiums), penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other fees, costs and expenses (including original issue discount, upfront fees, or similar fees in respect of the Indebtedness Incurred to effect such refinancing) Incurred or payable in connection with such refinancing);

(2) any (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Indenture and (b) without limiting the covenant described under "—*Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such person securing Indebtedness of the Issuer or any Restricted Subsidiary, in each case, so long as the Incurrence of such Indebtedness or other obligations is not prohibited by the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary;

(4) Indebtedness represented by (a) Indebtedness Incurred under a facility committed or available for utilization and as in effect as of the Issue Date (other than the Revolving Facility and the Guarantee Facility); (b) Refinancing Indebtedness Incurred in respect of any Indebtedness described in (x) this clause (4), (y) in clause (5) of this paragraph or (z) Incurred pursuant to the first paragraph of this covenant; (c) other Indebtedness Incurred to finance Management Advances; (d) Indebtedness under the Notes as of the Issue Date and the Notes Guarantees (including any future Guarantees) and any proceeds loans related thereto; and (e) Indebtedness incurred under the Existing Notes outstanding on the Issue Date (including any related Guarantees and/or "parallel debt" obligations thereof);

(5) Indebtedness (x) of the Issuer or any Restricted Subsidiary or any person that will be a Restricted Subsidiary or that will be merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, Incurred or issued to finance an acquisition (including an acquisition of any assets), merger, amalgamation, consolidation or capital expenditure or other similar transaction or (y) of persons that are, or secured by any assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture or (z) any Acquired Indebtedness, in an unlimited amount, to the extent that after giving effect to such acquisition, merger, amalgamation, consolidation or capital expenditure or other similar transaction, either:

(i) (I) if such Indebtedness is not Senior Secured Indebtedness or Junior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause (1)(d) of the second paragraph of this covenant, or (II) if such Indebtedness is Junior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Junior Secured Indebtedness pursuant to clause (1)(c) of the second paragraph of this covenant, or (III) if such Indebtedness is Senior Secured Indebtedness, the Issuer would be permitted to Incur at least €1.00 of additional Senior Secured Indebtedness pursuant to clause (1)(b) of the second paragraph of this covenant; or

(ii) (I) if such Indebtedness is not Senior Secured Indebtedness or Junior Secured Indebtedness, either the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower, or the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, or (II) if such Indebtedness is Junior Secured Indebtedness, either the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower, or the Consolidated Total Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher or, (III) if such Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries would not be higher, in each case, than it was immediately prior to such acquisition, merger, amalgamation, consolidation or capital expenditure or other similar transaction;

(6) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes as determined in good faith by the Issuer);

(7) Indebtedness (a) represented by Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and any Refinancing Indebtedness in respect thereof and then outstanding, does not exceed the greater of (x) €161 million and (y) 37.5% of LTM EBITDA at the time of Incurrence (*provided that*, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 365 days thereafter) or (b) arising out of Sale and Leaseback Transactions and any Refinancing Indebtedness Incurred in respect thereof or (c) consisting of any obligations in respect of a lease, concession or license of property (or guarantee thereof) which would previously have been categorized as operating leases prior to the adoption of IFRS 16 (Leases);

(8) Indebtedness in respect of (a) workers' compensation claims, old-age-part-time arrangements, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, or partial retirement obligations, vacation pay, health, disability or other employee benefits, customer guarantees performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided that* such Indebtedness is extinguished within five Business Days of Incurrence; (c) customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice; (d) letters of credit, bankers' acceptances, warehouse receipts, guarantees, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, reverse factoring arrangements in the ordinary course of business or consistent with past practice or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice; (e) the financing of insurance premiums, take-or-pay obligations contained in supply arrangements, any customary treasury and/or cash management services, depositary, cash management, credit card processing, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, the collection of checks and direct debits, cash pooling or netting or setting off arrangements or similar arrangements in the ordinary course of business or consistent with past practice; (f) Indebtedness representing (i) deferred consideration or compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice, or

(ii) deferred consideration or compensation or other similar arrangements in connection with any Investment or acquisition not prohibited under the Indenture; (g) short term borrowings of no longer than 30 Business Days owed to banks and other financial institutions Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer or any Restricted Subsidiary; and (h) Settlement Indebtedness;

(9) Indebtedness arising from agreements providing for Guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided that* the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness in connection with a disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (10) and then outstanding and any Refinancing Indebtedness in respect thereof, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock or otherwise contributed to the equity (in each case, other than through the issuance of Disqualified Stock, Designated Preferred Stock, an Excluded Contribution, an Equity Contribution or Excluded Amounts) of the Issuer, in each case, subsequent to the Existing Notes Issue Date; *provided that* (i) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Issuer and the Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (10) to the extent such Net Cash Proceeds or cash have been applied to make Restricted Payments;

(11) Indebtedness of Restricted Subsidiaries that are not Guarantors and Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of (a) €108 million and (b) 25.0% of LTM EBITDA at any time outstanding;

(12) Indebtedness consisting of promissory notes issued by the Issuer or any of the Restricted Subsidiaries to any future, present or former employee, director, contractor or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Issuer or any Parent Entity or payment of a transaction bonus that is permitted by the covenant described under "*—Limitation on Restricted Payments*";

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, together with any Refinancing Indebtedness in respect thereof, will not exceed the greater of (a) €215 million and (b) 50.0% of LTM EBITDA;

(14) Indebtedness Incurred pursuant to factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings or similar arrangements, in each case, that are either: (a) not recourse to the Issuer or any Restricted Subsidiary other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Issuer for such type of arrangement and except for Standard Securitization Undertakings); (b) committed factoring arrangements in place prior to the date of the Indenture; or (c) not in excess of the greater of (x) €129 million and (y) 30.0% of LTM EBITDA at any time outstanding;

(15) any obligation, or guaranty of any obligation, of the Issuer or any Restricted Subsidiary to reimburse or indemnify a person extending credit to customers of the Issuer or a Restricted Subsidiary Incurred in

the ordinary course of business or consistent with past practice for all or any portion of the amounts payable by such customers to the person extending such credit;

(16) Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; *provided that* (a) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods or (b) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;

(17) Obligations in respect of Disqualified Stock of the Issuer, together with any Refinancing Indebtedness in respect thereof, in an amount not to exceed the greater of (x) €86 million and (y) 20.0% of LTM EBITDA outstanding at the time of Incurrence;

(18) Indebtedness of the Issuer or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;

(19) any joint and several liability or any netting or set-off arrangements arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax, trade tax or value added tax purposes or similar purposes or any analogous arrangement;

(20) Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference, which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock Incurred pursuant to this clause (20) and then outstanding and any Refinancing Indebtedness in respect thereof, does not at any time outstanding exceed the Available RP Capacity Amount (determined on the date of such Incurrence); *provided that* any Indebtedness, Disqualified Stock and Preferred Stock Incurred pursuant to this clause (20) shall reduce the amount available for making Restricted Payments pursuant to the covenant under "*—Limitation on Restricted Payments*" by an amount equal to the outstanding principal amount or liquidation preference of such Indebtedness, Disqualified Stock or Preferred Stock; and

(21) Indebtedness consisting of local lines of credit, bilateral facilities, overdraft facilities or local working capital facilities in an aggregate outstanding principal amount which, together with any Refinancing Indebtedness in respect thereof, will not exceed the greater of (a) €108 million and (b) 25.0% of LTM EBITDA.

Notwithstanding the foregoing, the amount of Indebtedness Incurred pursuant to the first paragraph of this covenant, clause (1) and clause (4)(b)(z) of the second paragraph of this covenant by Restricted Subsidiaries which are not Guarantors shall not in aggregate exceed the greater of (i) €429 million and (ii) 100% of LTM 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) in the event that all or any portion of any item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and will only be required to include, in any manner that complies with this covenant, the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in the first paragraph or any provision of the second paragraph of this covenant, and Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness, *provided that* no Indebtedness Incurred under clause (1)(a) of the second paragraph of this covenant may be reclassified;

(2) with respect to clauses (7), (11), (13), (14), (17), (20) or (21) of the second paragraph of this covenant, if at any time that the Issuer would be entitled to have Incurred any then outstanding item of Indebtedness pursuant to the first paragraph of this covenant or pursuant to clause (1)(b), (1)(c) or (1)(d) of the second paragraph of this covenant, such item of Indebtedness shall (unless otherwise elected by the Issuer) be automatically reclassified into an item of Indebtedness Incurred pursuant to the first

paragraph of this covenant or pursuant to clause (1)(b), (1)(c) or (1)(d) of the second paragraph of this covenant, as applicable;

(3) for purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to a "cash sweep" or "clean down" provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to have been repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;

(4) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include any amounts necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums (including tender premiums), penalties, interest or hedging break costs, and any related stamp or other taxes, notarial, registration or similar fees and other costs, fees and expenses (including original issue discount, upfront fees or similar fees in respect of such Refinancing Indebtedness) Incurred or payable in connection with such refinancing;

(5) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(6) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the first or the second paragraphs of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(7) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(8) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (29) of the definition of "Permitted Liens," the Incurrence or issuance thereof for all purposes under the Indenture, including for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or usage of any clause of the second paragraph of this covenant (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined (i) on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock (in each case, pursuant to any letter, agreement or instrument, which may be conditional, including as to documentation) and/or (ii) on the date on which such facility or commitments become available (assuming that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date), and, if such Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this sub-clause (a) shall be (in each case, solely to the extent that such committed amount, when borrowed or reborrowed, would constitute Indebtedness) the "Reserved Indebtedness Amount" as of such date for purposes of the Fixed

Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, to the extent of the usage of any clause of the second paragraph of this covenant (if any), shall be deemed to be Incurred and outstanding under such clause), or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination and/or make an alternate determination at any time and from time to time;

(9) in the event that the Issuer or a Restricted Subsidiary (x) Incurs Indebtedness to finance an acquisition (including an acquisition of assets), merger, amalgamation, consolidation, capital expenditure or other similar transaction or (y) assumes Indebtedness of persons that are, or secured by assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with, the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture or (z) commits to an acquisition or transaction pursuant to which it may Incur Acquired Indebtedness, the date of determination of LTM EBITDA, the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall, at the option of the Issuer, be (a) the date that a definitive agreement, put option or similar arrangement for such acquisition, transaction, merger, amalgamation or consolidation is entered into and the LTM EBITDA, Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, shall be calculated giving pro forma effect to such acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) consistent with the definition of the LTM EBITDA, Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio, as applicable, and, for the avoidance of doubt, (A) if any such ratios are exceeded as a result of fluctuations in such ratio (including due to fluctuations in the Consolidated EBITDA of the Issuer or the target company) at or prior to the consummation of the relevant acquisition, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether such acquisition and any related transactions are permitted hereunder and (B) such ratios shall not be tested at the time of consummation of such acquisition, transaction, merger, amalgamation or consolidation; *provided that* if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, put option or similar arrangement, (i) any such transaction shall be deemed to have occurred on the date the definitive agreement, put option or similar arrangement is entered into and to be outstanding thereafter for purposes of calculating any ratios under the Indenture after the date of such agreement and before the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition and (ii) to the extent any covenant baskets were utilized in satisfying any covenants, such baskets shall be deemed utilized until the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition, but any calculation of LTM EBITDA or Consolidated EBITDA for purposes of other Incurrences of Indebtedness or Liens or making of Restricted Payments (not related to such acquisition) shall not reflect such acquisition until it has been consummated, unless such other Incurrence of Indebtedness or Liens is conditional or contingent on the occurrence of such acquisition or (b) the date such Indebtedness is borrowed or assumed;

(10) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of LTM EBITDA at the time of Incurrence, if such refinancing would cause the percentage of LTM EBITDA restriction to be exceeded if calculated based on the percentage of LTM EBITDA on the date of such refinancing, such percentage of LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs indemnities, discounts, penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other costs, fees and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable and fees in connection with such refinancing; and

(11) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual and/or capitalization of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares or Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided that* the amount of any Refinancing Indebtedness in respect of any outstanding Indebtedness may (in the Issuer's sole discretion) be increased by the amount of all such accrued and/or capitalised interest, accreted value, original issue discount and/or additional Indebtedness in respect of such Indebtedness and such increased amount will not be deemed to be Indebtedness for the purpose of calculating any basket, permission or threshold under which such Refinancing Indebtedness is permitted to be Incurred.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this covenant, the Issuer shall be in default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was first committed or first Incurred (whichever yields the lower Euro equivalent); *provided that* notwithstanding anything in the Indenture, for the purpose of the Incurrence of any Indebtedness, the Issuer may elect to account for any such Indebtedness denominated in a foreign currency at the relevant currency exchange rate in effect on the determination date for the Incurrence of such Indebtedness; and further *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (x) the principal amount of such Indebtedness being refinanced plus (y) the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) penalties, interest or hedging break costs, accrued and unpaid interest and any related stamp or other taxes, notarial, registration or similar fees and other fees, costs and expenses (including original issue discount, upfront fees or similar fees) Incurred in connection with such refinancing.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Indebtedness is denominated that is in effect on the date of such refinancing.

If an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is committed, Incurred or issued, any Lien is committed or Incurred or any other transaction is undertaken, in reliance on any ratio-based basket or permission (including but not limited to the Fixed Charge Coverage Ratio, the Consolidated Senior Secured Net Leverage Ratio, the Consolidated Total Secured Net Leverage Ratio or the Consolidated Total Net Leverage Ratio) such ratio(s) shall be calculated without regard to the Incurrence of and without including any Indebtedness under any revolving facility, letter of credit facility or any credit facility available for redrawing (however so described or structured).

Limitation on Restricted Payments

The Issuer will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any such payment in connection with any merger or consolidation involving the Issuer or any of the Restricted Subsidiaries) except:

    (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding;

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis); and

(c) dividends or distributions payable to any Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity which is Guaranteed by the Issuer or any Restricted Subsidiary or is otherwise considered Indebtedness of the Issuer or any Restricted Subsidiary, *provided that* (x) any net proceeds from such Indebtedness that are contributed to the equity of the Issuer or any Restricted Subsidiary in any form or otherwise received by the Issuer or any Restricted Subsidiary shall be excluded for purposes of increasing the amount available for distribution pursuant to clause (c) below of the first paragraph of this covenant and shall not be Excluded Contributions; and (y) in the case that any net proceeds described in sub-clause (x) above are contributed to or received by the Issuer or the Restricted Subsidiaries in the form of Indebtedness, there shall be no double-counting of interest paid on such Indebtedness and any dividends or distributions payable to the relevant Parent Entity to fund interest payments in respect of Indebtedness of such Parent Entity;

(2) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Issuer or any Parent Entity held by persons other than the Issuer or a Restricted Subsidiary;

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment,

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) above are referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) (x) in respect of any Restricted Payments referred to in clause (1) or (2) above only, an Event of Default shall have occurred and is continuing, and (y) in respect of any Restricted Payments referred to in clauses (3), (4) or (5) above only, an Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "—*Events of Default*" shall have occurred and is continuing;

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" immediately after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Existing Notes Issue Date (and not returned or rescinded) (including Permitted Payments made pursuant to clauses (1) and (10)(a) of the third paragraph of this covenant, but excluding all other Restricted Payments permitted by the third paragraph of this covenant) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter in which the Existing Notes Issue Date occurs to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available *provided* *that* the amount taken into account pursuant to this sub-clause (i) shall not be less than zero; plus

(ii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Subordinated Shareholder Funding or Capital Stock or as the result of a merger or consolidation with another person subsequent to the Existing Notes Issue Date or otherwise contributed to the equity (in each case other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Issuer subsequent to the Existing Notes Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) cash or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third paragraph of this covenant, (y) Excluded Contributions and (z) Equity Contributions); plus

(iii) 100% of the aggregate amount of cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than (x) Subordinated Shareholder Funding or (y) Capital Stock sold to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Existing Notes Issue Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock) plus, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange; plus

(iv) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Issuer, of marketable securities or other property received by the Issuer or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or the Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or the Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Issuer or the Restricted Subsidiaries, in each case after the Existing Notes Issue Date; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from a person that is not a Restricted Subsidiary after the Existing Notes Issue Date (in each case, other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the third paragraph of this covenant and will increase the amount available under the applicable clause of the definition of "Permitted Investment" or clause (17) of the third paragraph of this covenant, as the case may be); plus

(v) in the case of the re-designation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary after the Existing Notes Issue Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Issuer at the time of the re-designation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the third paragraph of this covenant and will increase the amount available under the applicable clause of the definition of "Permitted Investment" or clause (17) of the third paragraph of this covenant, as the case may be; plus

(vi) the greater of €172 million and 40.0% of LTM EBITDA.

Notwithstanding the foregoing, any amounts (such amounts, the "Excluded Amounts") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of cash, property or assets or marketable securities received in connection with an event that would otherwise constitute a Change of Control Triggering Event pursuant to the definition thereof, (2) the purpose of the receipt of such cash, property or assets or marketable securities was to reduce the Consolidated Total Net Leverage Ratio of the Issuer so that there would be an occurrence of a Permitted Change of Control that would not otherwise have been achieved without the receipt of such cash, property or assets or marketable securities; and (3) no Change of Control Offer is made in connection with such event, or such requirement is not otherwise waived by Holders, in accordance with the requirements of the Indenture.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) the payment of any dividend or distribution or redemption or repurchase, within 60 days after the date of declaration thereof, if at the date of declaration or notice of redemption or payment such payment would have complied with the provisions of the Indenture or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption or repayment notice, such payment would have complied with the provisions of the Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;

(2) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock of the Issuer ("**Treasury Capital Stock**") or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Subordinated Shareholder Funding or Capital Stock of the Issuer (other than Disqualified Stock, Designated Preferred Stock or Equity Contributions) ("**Refunding Capital Stock**") or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, through an Excluded Contribution, Equity Contributions or Excluded Amounts) of the Issuer, *provided that* to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Subordinated Shareholder Funding or Capital Stock or such contribution will be excluded from clause (c) of the first paragraph of this covenant, and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (13) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*";

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*";

(5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:

(a) from Net Available Cash to the extent permitted pursuant to the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*," but only if (and to the extent required) the Issuer shall have first complied with the terms described under "—*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all the Notes tendered pursuant to any offer to repurchase the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i) a Change of Control (or other similar event described therein as a "change of control") or (ii) an Asset Disposition (or other similar event described therein as an "asset disposition" or "asset sale"), but only if (and to the extent required) the Issuer shall have first complied with the provisions of the Indenture governing mandatory prepayment on a Change of Control or pursuant to the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*," as applicable, prepaid all relevant amounts required to be prepaid pursuant to such mandatory prepayment provisions, or (as applicable) purchased all Notes tendered pursuant to any offer to repurchase the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(c) consisting of Acquired Indebtedness, other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition;

(6) a Restricted Payment to pay for the repurchase, redemption, defeasance, cancellation, retirement or other acquisition or retirement for value of Capital Stock (including any options, warrants or other rights in respect thereof) (other than Disqualified Stock) of the Issuer or any Parent Entity held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or consultant) either pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or upon the termination of such employee, director, contractor or consultant's employment or directorship; *provided that* the aggregate Restricted Payments made under this clause (6) do not exceed (x) the greater of (i) €65 million and (ii) 15.0% of LTM EBITDA in any fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); or (y) subsequent to the consummation of an underwritten public Equity Offering of common stock of the Issuer, any IPO Entity or any Parent Entity, the greater of (i) €86 million and (ii) 20.0% of LTM EBITDA in any fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); provided further that such amount in any fiscal year may be increased by an amount not to exceed:

(a) the cash proceeds from the issuance or sale of Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock or Designated Preferred Stock, Excluded Contributions, an Equity Contribution or Excluded Amounts) of the Issuer and, to the extent contributed to the capital of the Issuer (other than through the issuance of Disqualified Stock or Designated Preferred Stock, an Excluded Contribution, an Equity Contribution or Excluded Amounts), Subordinated Shareholder Funding or Capital Stock of any Parent Entity, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Entity that occurred after the Existing Notes Issue Date, to the extent the cash proceeds from the sale of such Capital Stock or Subordinated Shareholder Funding have not otherwise been applied to the payment of Restricted Payments by virtue of clause (c) of the first paragraph of this covenant; plus

(b) the cash proceeds of key man life insurance policies received by the Issuer and the Restricted Subsidiaries after the Existing Notes Issue Date, and provided yet further that (x) cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Issuer or Restricted Subsidiaries or any Parent Entity and (y) the repurchase of Capital Stock deemed to occur upon the exercise of options, warrants or similar instruments if such Capital Stock represents all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Capital Stock or withholding to pay other taxes payable in connection therewith, in the case of each of (x) and (y), in connection with a repurchase of Capital Stock of the Issuer or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends (x) on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*," (y) to any Parent Entity, the proceeds of which will be used to fund the payment of dividends on Disqualified Stock or Preferred Stock issued by such Parent Entity, *provided that* the amount of dividends paid pursuant to this sub-clause (y) shall not exceed the aggregate amount of cash actually contributed to the Issuer from the sale of such Disqualified Stock or Preferred Stock, or (z) on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph.

(8) any (x) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable upon exercise of Capital Stock by any future, present or former employee, director, officer, contractor or consultant (or their respective Related Persons) of the Issuer or any Restricted Subsidiary or any Parent Entity and (y) purchase, repurchase, redemption, defeasance or other acquisition or retirements of Capital Stock deemed to occur upon the exercise, conversion or exchange of stock options, warrants or similar instruments if such Capital Stock represents all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Capital Stock or withholding to pay other taxes payable in connection therewith;

(9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (4)(b), (5), (9), (11), (12), (17), (18) and (25) of the second paragraph under "*—Limitation on Affiliate Transactions*"; and

(c) up to the greater of (x) €22 million and (y) 5.0% of LTM EBITDA per fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year);

(10) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent Entity or any IPO Entity following a Public Offering of such Capital Stock, common stock or common equity interests; *provided that* the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 6.0% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any Parent Entity in any form other than Indebtedness, Excluded Contributions or Excluded Amounts; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be equal to or less than 4.25 to 1.00, the greater of (x) 7.0% of the Market Capitalization and (y) 7.0% of the IPO Market Capitalization; or (ii) where, after giving pro forma effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be greater than 4.25 to 1.00,

but equal to or less than 4.75 to 1.00, the greater of (x) 5.0% of the Market Capitalization and (y) 5.0% of the IPO Market Capitalization;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock, *provided that* any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Issuer);

(12) Restricted Payments: (x) in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions or Investments in exchange for; or (y) without duplication with sub-clause (x) hereof, in an amount not to exceed the fair market value of proceeds from a sale, conveyance, transfer or other disposition in respect of property or assets acquired after the Existing Notes Issue Date if the acquisition of such property or assets was wholly or partially financed with an Excluded Contribution (but if the acquisition of such property or assets was only partially financed with an Excluded Contribution, a Restricted Payment may only be made in the same proportion as such partial financing bore to the original purchase price of such property or assets which were partially financed with such Excluded Contribution);

(13) the declaration and payment of dividends: (i) on Designated Preferred Stock of the Issuer issued after the Existing Notes Issue Date; (ii) to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Existing Notes Issue Date; and (iii) on Refunding Capital Stock that is Preferred Stock; *provided that*, (A) in the case of sub-clauses (i) and (ii) of this clause (13), the amount of all dividends declared or paid to a person pursuant to such sub-clauses shall not exceed the cash proceeds received by the Issuer or the aggregate amount contributed as Subordinated Shareholder Funding or in cash to the equity of the Issuer (other than through the issuance of Disqualified Stock, an Excluded Contribution of the Issuer, an Equity Contribution or Excluded Amounts), from the issuance or sale of such Designated Preferred Stock; and (B) in the case of sub-clause (iii) of this clause (13), for the Relevant Testing Period immediately preceding the date of issuance of such Designated Preferred Stock or declaration of such dividends on such Refunding Capital Stock, after giving effect to such payment on a pro forma basis the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described under "*—Limitation on Indebtedness*";

(14) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests and participation interests in, or other securities of, or Indebtedness (including convertible debt) owed to the Issuer or any Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash or Cash Equivalents) or proceeds thereof;

(15) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;

(16) any Restricted Payment made in connection with the Transactions and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);

(17) so long as no Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "*—Events of Default*" shall have occurred and is continuing, (i) Restricted Payments (including Restricted Investments, loans or advances) in an aggregate amount outstanding at the time made not to exceed the greater of (a) €172 million and (b) 40.0% of LTM EBITDA at such time, and (ii) any Restricted Payments, so long as, immediately after giving pro forma effect to the payment of any such Restricted Payment and the Incurrence of any Indebtedness the net proceeds of which are used to make such Restricted Payment, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be no greater than 3.75 to 1.00;

(18) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;

(19) so long as no Event of Default under clauses (1), (2) or (5) of the first paragraph of the covenant described under "*—Events of Default*" shall have occurred and is continuing, the redemption, defeasance, repurchase, exchange or other acquisition or retirement of Subordinated Indebtedness of, or guaranteed by, the Issuer or any Guarantor (a) in an aggregate amount outstanding at the time made not to exceed the greater of (x) €172 million and (y) 40.0% of LTM EBITDA at such time, or (b) such that immediately after giving pro forma effect to the payment of any such Restricted Payment and the redemption, defeasance, repurchase, exchange or other acquisition or retirement of any such Subordinated Indebtedness, the Consolidated Total Net Leverage Ratio of the Issuer and the Restricted Subsidiaries shall be no greater than 4.00 to 1.00;

(20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the provisions described under "*—Merger and Consolidation*";

(21) Restricted Payments to a Parent Entity to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Issuer; *provided that* (a) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (b) such Parent Entity shall, promptly following the closing thereof, cause (i) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (ii) the merger or amalgamation of the person formed or acquired into the Issuer or one of the Restricted Subsidiaries (to the extent not prohibited by the provisions described under "*—Merger and Consolidation*") to consummate such Investment, (c) such Parent Entity and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture, (d) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of this covenant, clauses (2) or (6) above or be deemed to be an Excluded Contribution, and (e) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (12) above) or pursuant to the definition of "Permitted Investments" (other than pursuant to clause (1) thereof);

(22) any Restricted Payment made with Net Available Cash from any Asset Disposition and permitted pursuant to clause (3) of the first paragraph under "*—Limitation on Sales of Assets and Subsidiary Stock*";

(23) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a "tax distribution") by the Issuer or any Restricted Subsidiary to any Parent Entity that is a member of the same fiscal unity for corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements (including any payments under a fiscal unity or any other arrangement required to be made by any Parent Entity) to cover Taxes on a consolidated basis on behalf of the Group;

(24) withholding or similar taxes in respect thereof and payments in respect of withholding or similar taxes payable upon exercise or vesting thereof; and

(25) any Restricted Payment made in connection with any amendment and/or extension and/or offset and/or discharge (including by way of exchange, sale or substitution) or any other action in relation to any disclosed loans to shareholders existing on the date of the Offering Memorandum *provided that* no cash payment may be made by the Issuer or any Restricted Subsidiary as part of such Restricted Payment.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment or Investment (or, in each case, portion thereof) (i) meets the criteria of more than one of the categories of Permitted Payments described in the third paragraph of this covenant, and/or (ii) is permitted pursuant to the first paragraph of this covenant and/or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted

Payment or Investment (or, in each case, portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, in each case as an Investment, pursuant to one or more of the clauses of the definition of "Permitted Investments" and may aggregate capacity in multiple clauses of the definition of "Permitted Payments" above, the first paragraph of this covenant and/or in the definition of "Permitted Investments" in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment, property or assets other than cash shall be determined conclusively by the Issuer acting in good faith.

Unrestricted Subsidiaries may use value transferred from the Issuer and the Restricted Subsidiaries in a Permitted Investment or a Restricted Investment not prohibited under this covenant to purchase or otherwise acquire Indebtedness or Capital Stock of the Issuer, any Parent Entity or any of the Issuer's Restricted Subsidiaries, and to transfer value to the holders of the Capital Stock or any Parent Entity and to Affiliates thereof, and such purchase, acquisition, or transfer will not be deemed to be a "direct or indirect" action by the Issuer or the Restricted Subsidiaries.

Limitation on Liens

Topco and the Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute the Charged Property, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if obligations under the Indenture are directly secured equally and rateably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Charged Property, Permitted Collateral Liens.

Any Lien created in favor of the Notes, the Notes Guarantees and the Indenture pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under the Indenture, Intercreditor Agreement, any Additional Intercreditor Agreement and/or under the relevant Transaction Security Document.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Facility and the Guarantee Facility and the Guarantees thereof), (b) the Intercreditor Agreement or any Additional Intercreditor Agreement (c) the Transaction Security Documents; (d) any other agreement or instrument (including the Existing Notes Indenture), in each case, in effect at or entered into on the Issue Date, and (e) the Indenture or any other Notes Document;

(2) any encumbrance or restriction pursuant to applicable law, rule, regulation or order;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a person or relating to any Capital Stock or Indebtedness of a person, entered into on or before the date on which such person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided that*, for the purposes of this clause, if another person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such person becomes the Successor Issuer;

(4) any encumbrance, restriction or condition:

   (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement;

   (b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements;

   (c) contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any of the Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided that* such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or

   (d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations not prohibited under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired;

(6) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a person of all or substantially all the Capital Stock or assets of the Issuer or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, shareholder agreements, joint venture agreements and other similar agreements, organizational documents and instruments;

(8) encumbrances or restrictions arising or existing by reason of, or pursuant to, applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority or any governmental license, concessions, franchises or permits, including restrictions on encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements entered into in the ordinary course of business or consistent with past practice;

(10) any encumbrance or restriction pursuant to Hedging Obligations;

(11) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Securitization Facility or Receivables Facility;

(12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes (taken as a whole) than (i) the encumbrances and restrictions contained in (A) the Revolving Facility Agreement, the Guarantee Facility Agreement or the Indenture, together with the Transaction Security Documents associated therewith, and (B) the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Issuer), or (b) constituting an Additional Intercreditor Agreement;

(13) any encumbrance or restriction existing by reason of any lien permitted pursuant to the covenant described under "—*Limitation on Liens*"; or

(14) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) to (13) of this paragraph or this clause (14) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) to (13) of this paragraph or this clause (14); *provided that* the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the holders of the Notes (taken as a whole) than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer).

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap or relates to Non-Core Assets), with a purchase price in excess of the greater of (a) €65 million and (b) 15.0% of LTM EBITDA, at least 75% of the consideration from such Asset Disposition (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments, *provided that* this clause (2) shall not apply to the first amount of consideration from such Asset Dispositions per fiscal year not to exceed the greater of (x) €73 million and (y) 17.0% of LTM EBITDA (with unused

amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year); and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied:

(a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) or any Senior Secured Indebtedness or any Indebtedness secured by a Lien on property or assets of the Issuer or any Restricted Subsidiary (other than Permitted Collateral Liens) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided that*, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and (other than the case of repayment of Indebtedness under any revolving facility) will cause the related commitment (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased; provided further that to the extent the Issuer or any Restricted Subsidiary has elected to prepay, repay or purchase any amount of Senior Secured Indebtedness at a price not less than par and has extended such offer to the Holders on at least a pro rata basis, to the extent the creditors in respect of such Senior Secured Indebtedness (including any Holders) elect not to tender their Senior Secured Indebtedness for such prepayment, repayment or purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered under this clause (a), and such amount shall not increase the amount of Excess Proceeds; or

(b) to the extent the Issuer or any Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary equal to the amount of Net Available Cash received by the Issuer or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided that* a binding agreement shall be treated as a permitted application of Net Available Cash from the date of such commitment with the good faith expectation that an amount equal to Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an "Acceptable Commitment"); provided further that if any Acceptable Commitment is later cancelled or terminated for any reason before such amount is applied, then such Net Available Cash shall constitute Excess Proceeds,

provided that, (I) pending the final application of the amount of any such Net Available Cash in accordance with clause (a) or (b) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner not prohibited by the Indenture, (II) the Issuer or any Restricted Subsidiary may elect to invest in Additional Assets prior to receiving the Net Available Cash attributable to any given Asset Disposition (*provided that* such investment shall be made no earlier than the earliest of execution of a definitive agreement for the relevant Asset Disposition or consummation of the relevant Asset Disposition) and deem the amount so invested to be applied pursuant to and in accordance with clause (b) above with respect to such Asset Disposition, and (III) notwithstanding any term of this clause (3), to the extent that (x) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with the provisions of this covenant) is prohibited or delayed by applicable local law (including financial assistance and corporate benefit restrictions, fiduciary and statutory duties of the relevant directors and AIFMD) or (y) a distribution of any or all of the Net Available Cash of any Asset Disposition by a Subsidiary to the Issuer or another Restricted Subsidiary (to the extent necessary to comply with this covenant) could result in material adverse Tax consequences, as determined by the Issuer in its sole discretion, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant.

The amount of any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the first paragraph of this covenant will be deemed to constitute "Excess Proceeds" under the Indenture, *provided that*, if at the date of any definitive agreement, put option or similar arrangement in respect of any Asset Disposition or (at the option of the Issuer) the date on which Net Available Cash from an Asset Disposition is received, the Consolidated Total Net Leverage Ratio of the Issuer and the

Restricted Subsidiaries is (a) greater than 4.00 to 1.00, (b) less than or equal to 4.00 to 1.00 but greater than 3.50 to 1.00 or (c) less than or equal to 3.50 to 1.00, 100% of the Net Available Cash from such Asset Disposition in the case of clause (a), 50% of the Net Available Cash from such Asset Disposition in the case of clause (b), and 0% of the Net Available Cash from such Asset Disposition in the case of clause (c), shall be deemed to constitute Excess Proceeds. Any amounts not constituting Excess Proceeds may be used by the Issuer or any of the Restricted Subsidiaries for any purpose not prohibited by the Indenture.

On the 366th day (or such longer period permitted by the first paragraph of this covenant) after the later of an Asset Disposition or the receipt of such Net Available Cash (or (1) such earlier date as the Issuer or any Restricted Subsidiaries may elect or (2) such later date as set forth in clause (3)(b) of the first paragraph of this covenant), if the aggregate amount of Excess Proceeds under the Indenture exceeds the greater of €86 million and 20.0% of LTM EBITDA in a single transaction, the Issuer will within ten (10) Business Days be required to make an offer ("**Asset Disposition Offer**") to all Holders of Notes issued under the Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to repay, prepay or purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be repaid, prepaid or purchased out of the Excess Proceeds, at an offer price of no more than 100% of the principal amount of the Notes or such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of repayment, prepayment or purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and with respect to the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver notice of such Asset Disposition Offer electronically or by first-class mail, with a copy to the Trustee, the Paying Agent and each Holder at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of Euroclear and Clearstream, describing the transaction or transactions that constitute the Asset Disposition and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than ten (10) days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to all Net Available Cash prior to the expiration of the relevant 365 days (or such longer period provided above) or with respect to any unapplied Excess Proceeds.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall allocate the Excess Proceeds among the Notes and Pari Passu Indebtedness to be repaid, prepaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness; *provided that* the Issuer shall not be required to select and purchase Notes or other Pari Passu Indebtedness in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. Additionally, the Issuer may, at its option, make an Asset Disposition Offer using proceeds from any Asset Disposition at any time after the consummation of such Asset Disposition. Upon consummation or expiration of any Asset Disposition Offer, any remaining Net Available Cash shall not be deemed Excess Proceeds and the Issuer or any Restricted Subsidiary may use such Net Available Cash for any purpose not prohibited by the Indenture.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than Euros, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in Euros that is actually received by the Issuer upon converting such portion into Euros. For the avoidance of doubt there shall be no requirement to offer or apply any Excess Proceeds in prepayment of the Revolving Facility or the Guarantee Facility.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness or other liabilities, contingent or otherwise, of the Issuer or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor)

and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness or other liability in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from persons who are not the Issuer or any Restricted Subsidiary;

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant during the same fiscal year, not to exceed the greater of (a) €86 million and (b) 20.0% of LTM EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value) (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year);

(6) consideration consisting of Additional Assets; and

(7) any combination of the consideration specified in paragraphs (1) to (6) above.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365 day period mentioned in this covenant. An Asset Disposition Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the Indenture, the Notes and/or the Notes Guarantees.

The provisions under the Indenture relative to the Issuer's obligation to make an Asset Disposition Offer as the result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of the then outstanding Notes.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "Affiliate Transaction") involving aggregate value in excess of the greater of (i) €43 million and (ii) 10.0% of LTM EBITDA unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of the greater of (a) €86 million and (b) 20.0% of LTM EBITDA, the terms of such Affiliate Transaction have been approved by a majority of the members of the Board of Directors of the Issuer, *provided that* any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this clause (2) if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Issuer, if any.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," or any Permitted Investment;

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans, transaction bonuses or transaction related securities repurchase plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business or consistent with past practice;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any (a) transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries and (b) merger, amalgamation or consolidation with any Parent Entity; *provided that* such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger, amalgamation or consolidation is otherwise permitted under the Indenture;

(5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Issuer, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);

(6) the entry into and performance of obligations of the Issuer or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders of the Notes (taken as a whole) in any material respect;

(7) any transaction in connection with a Qualified Securitization Financing or Receivables Facility, any disposition or repurchase of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;

(8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity which would constitute an Affiliate Transaction solely (i) because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in, or otherwise controls such Affiliate, Associate or similar entity or (ii) due to the fact that a director of such person is also a director of the Issuer or any direct or indirect Parent Entity of the Issuer (*provided that* such director abstains from voting as a director of the Issuer or such direct or indirect Parent Entity of the Issuer, as the case may be, on any matter involving such other person);

(10) any (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Issuer or any Restricted Subsidiary; and (b) amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; *provided that* such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition of "Subordinated Shareholder Funding";

(11) (a) any payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of (I) annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and (II) related costs and expenses and indemnities in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an Initial Public Offering), *provided that* any payments under this sub-clause (a)(I) shall not exceed an aggregate amount equal to the greater of (x) €22 million and (y) 5.0% of LTM EBITDA per fiscal year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the date immediately preceding fiscal year); and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital markets transactions, acquisitions or divestitures, which payments or agreement or arrangements providing for such payments are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) payment to any Permitted Holder of all out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) the Transactions and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions;

(14) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating either (x) that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or (y) that such transaction meets the requirements of clause (1) of the preceding paragraph;

(15) the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto) to which it is party as of the Issue Date, and any similar agreement that it may enter into thereafter; *provided that* the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under any future amendment to the equityholders' agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the holders of the Notes (taken as a whole) in any material respect as determined in good faith by the Issuer;

(16) any purchases by the Issuer's Affiliates of Indebtedness or Disqualified Stock of the Issuer or any of the Restricted Subsidiaries the majority of which Indebtedness or Disqualified Stock is purchased by persons who are not the Issuer's Affiliates; *provided that* such purchases by the Issuer's Affiliates are on the same terms as such purchases by such persons who are not the Issuer's Affiliates;

(17) any (a) Investments by Affiliates in securities of the Issuer or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses Incurred by such Affiliates in connection therewith) so long as the Investment is being offered by the Issuer or such Restricted Subsidiary generally to other non-affiliated third-party investors on the same or more favorable terms; and (b) payments to Affiliates in respect of securities of the Issuer or any of the Restricted Subsidiaries contemplated in sub-clause (a) or that were acquired from persons other than the Issuer and the Restricted Subsidiaries, in each case, in accordance with the terms of such securities;

(18) the execution, delivery and performance of payments by any Parent Entity, the Issuer and/or the Restricted Subsidiaries pursuant to any Tax Sharing Agreements or any arrangement pursuant to which the Issuer or any of the Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash-pooling or management purposes in the ordinary course of business or other equity agreements in respect of Related Taxes among any such Parent Entity, the Issuer and/or the Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Issuer and its Subsidiaries;

(19) payments, Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and the Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer, any of its Subsidiaries or any of its Parent Entities pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Issuer in good faith;

(20) employment and severance arrangements between the Issuer or any of the Restricted Subsidiaries and their respective officers, directors, contractors, consultants, distributors and employees in the ordinary course of business or entered into in connection with or as a result of the Transactions;

(21) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted pursuant to the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" or entered into with any Business Successor, in each case, that the Issuer determines in good faith is either fair to the Issuer or otherwise on customary terms for such type of arrangements in connection with similar transactions;

(22) transactions entered into by an Unrestricted Subsidiary with an Affiliate prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described pursuant to the provisions described under "*—Designation of Restricted and Unrestricted Subsidiaries*" so long as such transactions were not made in contemplation of or in connection with such redesignation;

(23) pledges of Capital Stock of Unrestricted Subsidiaries;

(24) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer that is not a Restricted Subsidiary, as lessor, which is approved by a majority of the members of the Board of Directors of the Issuer;

(25) intellectual property licenses in the ordinary course of business or consistent with past practice;

(26) payments to or from, and transactions with, any joint venture including the entry into, and performance of obligations and related services under, any management services agreement or any licensing agreement with regards to any existing or future joint venture, in the ordinary course of business or consistent with past practice (including any cash management activities related thereto);

(27) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of the Restricted Subsidiaries that provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;

(28) the entry into, and performance of obligations and related services under, any registration rights or other listing agreement;

(29) the payment of costs and expenses related to registration rights and customary indemnities provided to shareholders under any shareholder agreement; and

(30) any Permitted Tax Restructuring.

Designation of Restricted and Unrestricted Subsidiaries

The Issuer may designate (i) any Restricted Subsidiary to be an Unrestricted Subsidiary and (ii) any Unrestricted Subsidiary to be a Restricted Subsidiary, in each case, if that designation would not cause an Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, (a) the aggregate fair market value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments pursuant to the covenant described under "—*Limitation on Restricted Payments*" or under one or more clauses of the definition of Permitted Payments or Permitted Investments, as determined by the Issuer; and (b) that designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

If, at any time, any Unrestricted Subsidiary would fail to meet the requirements set out in the first paragraph of this covenant as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "—*Limitation on Indebtedness*," the Issuer will be in default of such covenant.

If an Unrestricted Subsidiary is designated as a Restricted Subsidiary, that designation (x) will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and (y) such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under "—*Limitation on Indebtedness*" (including pursuant to clause (5) of the second paragraph thereof, treating such designation as an acquisition for the purpose of such clause), calculated on a pro forma basis as if such designation had occurred at the beginning of the Relevant Testing Period; and (2) no Event of Default would be in existence immediately following such designation.

Any such designation by the Issuer of an Unrestricted Subsidiary or the re-designation of an Unrestricted Subsidiary to a Restricted Subsidiary as contemplated hereby shall be evidenced to the Trustee on the date of such designation or re-designation by providing the Trustee an Officer's Certificate certifying that such designation or re-designation complies with the preceding conditions.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports following the Issue Date:

(1) within 120 days after the end of each fiscal year of the Issuer, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including customary footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (unless such pro forma information has been provided in a previous report pursuant to clause (2) or (3) below); *provided that* such pro forma financial information will be provided only to the extent available without unreasonable expense or burden; (c) an operating and financial review of the audited consolidated financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters of the Issuer, all quarterly reports of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow of the Issuer for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Issuer, together with

condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter (unless such pro forma information has been provided in a previous report pursuant to clause (1) above or (3) below); *provided that* such pro forma financial information will be provided only to the extent available without unreasonable expense or burden; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and material changes in liquidity and capital resources of the Issuer, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared on a basis consistent with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however,* that the reports set forth in clauses (1), (2) and (3) may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Issuer. The filing of an Annual Report on Form 20-F within the time period specified in clause (1) will satisfy such provision. At the Issuer's election it may include consolidated financial statements of a Parent Entity in lieu of those for the Issuer; *provided that*, if the financial statements of a Parent Entity are included in such report, a reasonably detailed description of material differences between the financial statements of the Parent Entity and the Issuer shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of the Issuer or any parent thereof and/or the listing of such Capital Stock on a recognized stock exchange, the requirements of this clause shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken as together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by the first paragraph of this covenant will either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph and the third paragraph above, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Issuer or its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined in good faith by the Board of Directors of the Issuer or an Officer of the Issuer) or (b) to the extent the Board of Directors of the Issuer or an Officer of the Issuer determines in good faith that the Issuer cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of the Issuer's commercially reasonable efforts, furnish such reports or statement to the Holders and, upon request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1), (2) and (3) above, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent that the rules of the Luxembourg Stock Exchange so require.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture. The Trustee does not have any duty to review any such financial statements and/or reports provided to it pursuant to this covenant, is not considered to have notice of the content of such statements, a default or Event of Default based on such content and does not have a duty to verify the accuracy of such financial statements and/or reports.

All reports provided pursuant to this covenant shall be made in the English language.

Post-Clearance Share Pledge and Notes Collateral

The Indenture will provide that the Issuer and Sofima PIK will ensure that as soon as reasonably practicable and, in any case, by the later of (i) the Issue Date and (ii) the 10th Business Day following receipt of the Italian Golden Power Clearance, the Notes will be secured by the Post-Clearance Share Pledge, subject to the Agreed Security Principles, the Intercreditor Agreement and certain perfection requirements.

Impairment of Security Interest

Topco and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Charged Property (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Charged Property), Topco and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to grant to any person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Charged Property, except that (i) the Issuer and the Restricted Subsidiaries and any parent of the Issuer party to any Transaction Security Documents may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Transaction Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Issuer, the Restricted Subsidiaries and any parent of the Issuer party to any Transaction Security Documents may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Transaction Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) the Charged Property may be discharged and released in accordance with the Indenture, the applicable Transaction Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Transaction Security Documents may be amended from time to time to (A) cure any ambiguity, mistake, omission, defect, error or inconsistency therein or add to the Charged Property, (B) evidence the succession of another person to the Issuer, any Restricted Subsidiary or any parent of the Issuer party to any Transaction Security Documents providing Charged Property and the assumption of such successor of the obligations under the Indenture, the Intercreditor Agreement and/or the Transaction Security Documents, in each case, including in accordance with the terms under the covenant described under "*—Merger and Consolidation*" and (C) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, and (v) the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace the Security Interests (A) in any manner that does not adversely affect Holders in any material respect as determined in good faith by the Issuer or (B) otherwise if there is a retaking of a Lien of at least equivalent value over the same assets.

The Transaction Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced pursuant to clause (i) or (ii) of the first paragraph above, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in a form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors, Chief Financial Officer or Chief Executive Officer of the relevant person (or equivalent member of senior management), in form and substance reasonably satisfactory to the Trustee and the Security Agent, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Transaction Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer, any Restricted Subsidiary or any parent of the Issuer party to any Transaction Security Documents (as applicable) complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to any amendment, extension, renewal, restatement, supplement, release or other modification or replacement requested in accordance with this covenant without the need for instructions from any Holder.

Nothing in this section shall prohibit or restrict the Transactions or a transaction as described under "*—IPO Debt Pushdown*," each of which are expressly permitted.

Additional Guarantees

Subject to the Agreed Security Principles, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Facility, any Credit Facility in an aggregate principal amount in excess of €30.0 million or any Public Debt, in each case of the Issuer or a Guarantor unless (i) such Restricted Subsidiary is or becomes a Guarantor within twenty (20) Business Days from (but excluding) the date on which the Guarantee of such other Indebtedness is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture substantially in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or pari passu with, as applicable, such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however,* that no Restricted Subsidiary shall be obligated to become a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules, retention of title claims or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Notes Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law (including any usury laws).

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*Notes Guarantees—Notes Guarantees Release*." A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by, and at the cost of, the Issuer to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*."

Additional Intercreditor Agreements

The Indenture will provide that at the request of the Issuer, in connection with the Incurrence by the Issuer or any of the Restricted Subsidiaries of (x) any Indebtedness secured on Charged Property or as otherwise required herein and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "**Additional Intercreditor Agreement**") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders of the Notes (taken as a whole)), including substantially the same terms with respect to release of Notes Guarantees and priority and release of the Security Interests; *provided that* (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the reasonable opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any time, the correlative terms of such intercreditor agreements must not conflict.

The Indenture will also provide that at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes or the Notes Guarantees), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement or provide for the assumption by a successor person of the obligations of the Issuer or any Restricted Subsidiary, (4) further secure the Notes, (5) make provision for equal and rateable pledges of the Charged Property to secure Additional Notes, (6) facilitate a Permitted Reorganization, (7) implement any Permitted Collateral Liens, (8) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (9) make any other change to any such agreement that does not adversely affect the holders of the Notes (taken as a whole) in any material respect, making all necessary provisions to ensure that the Notes and the Notes Guarantees are secured by first-ranking Liens over the Charged Property. In formulating its opinion on such matters, the Trustee and the Security Agent, if applicable, shall be entitled to request and rely conclusively on an Officer's Certificate and an Opinion of Counsel.

The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement other than (i) in accordance with the second paragraph above or (ii) with the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the reasonable opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes or the Notes Guarantees thereby; *provided that* such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*."

Each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions, to any person, unless:

(1) the resulting, surviving or transferee person (the "**Successor Issuer**") (if not the Issuer) (i) will expressly assume, by way of supplemental indenture or other documents or instruments, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and all obligations of the

Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents, as applicable, and (ii) is a person organized or existing under the laws of a member country of the Organization for Economic Cooperation and Development (or any successor thereof), the United Kingdom, any member of the European Union, the Cayman Islands, the Channel Islands, Japan, Norway, Switzerland or the United States, any state thereof, the District of Columbia or any territory thereof;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Issuer or any Subsidiary of the applicable Successor Issuer as a result of such transaction as having been Incurred by the applicable Successor Issuer or such Subsidiary at the time of such transaction), no Default has occurred and is continuing;

(3) immediately after giving pro forma effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable Relevant Testing Period: (a) the Issuer or the Successor Issuer, as applicable, would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph or clause (1)(d) of the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (b) either (x) the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries or the Successor Issuer and the Restricted Subsidiaries, as applicable, would be equal to or greater than the Fixed Charge Coverage Ratio for the Issuer and the Restricted Subsidiaries immediately prior to such transaction or (y) the Consolidated Total Net Leverage Ratio for the Issuer and the Restricted Subsidiaries or the Successor Issuer and the Restricted Subsidiaries, as applicable, would be equal to or less than the Consolidated Total Net Leverage Ratio for the Issuer and the Restricted Subsidiaries immediately prior to such transaction;

(4) the Issuer or the Successor Issuer, as the case may be, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (in the case of a Successor Issuer) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (in the case of a Successor Issuer) is a legal and binding agreement enforceable against the Successor Issuer, *provided that* in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact; and

(5) the Holders (or the Security Agent on their behalf) will continue to have the same or substantially equivalent (ignoring for the purposes of assessing such equivalency any limitations required in accordance with the Agreed Security Principles or hardening periods) guarantees and security over the same or substantially equivalent assets and over the shares (or other interests) in the Issuer or the Successor Issuer, save to the extent such assets or shares (or other interests) cease to exist (*provided that* if the shares (or other interests) in the Issuer cease to exist, security will be granted (subject to the Agreed Security Principles) over the shares (or other interests) in the Successor Issuer).

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes and the Indenture, but in a case of a lease of all or substantially all of its assets, the predecessor person will not be released from its obligations under the Indenture or the Notes.

Guarantors

No Guarantor may:

(1) consolidate with or merge with or into any person;

(2) sell, assign, convey, transfer, lease or dispose of, all or substantially all of its assets, in one transaction or a series of related transactions, to any person; or

(3) permit any person to merge with or into such Guarantor,

unless:

(A) the other person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with the transaction; or

(B) (1) either (x) the Issuer or a Guarantor is the continuing person or (y) the resulting, surviving or transferee person (I) expressly assumes all of the obligations of the Guarantor under the

Indenture and all obligations of the Issuer under the Indenture (by way of a supplemental indenture or other documents or instruments executed and delivered in a form provided by the Issuer and reasonably satisfactory to the Trustee), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents, as applicable, and (II) is a person organized or existing under the laws of a member country of the Organization for Economic Cooperation and Development (or any successor thereof), the United Kingdom, any member of the European Union, the Cayman Islands, the Channel Islands, Japan, Norway, Switzerland or the United States, any state thereof, the District of Columbia or any territory thereof; and

(C) either (1) immediately after giving effect to such transaction, no Default has occurred and is continuing, or (2) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise not prohibited by the Indenture.

The provisions set forth above shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation (A) the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Transaction Security Documents and clauses (1), (4) and (5) under the heading "*—The Issuer*" shall apply to such transaction; and (B) to the extent that any Transaction Security previously granted over the shares in the capital of the relevant Guarantor would not, in accordance with applicable law, constitute a Lien over the shares in the capital of the surviving entity, the direct Holding Company of the surviving entity shall, subject to the Agreed Security Principles, grant a Transaction Security over the shares in the capital of such surviving entity on substantially equivalent terms to any Transaction Security granted over the shares in the capital of such predecessor Guarantor immediately prior to such merger or consolidation; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however,* that, in the case of a consolidation, merger or combination of (x) the Issuer into or with an Affiliate that is not a Guarantor, clauses (1), (2), (4) and (5) under the heading "*—The Issuer*" and (y) any Guarantor into or with an Affiliate, clause (3) under this heading "*—Guarantors*," as the case may be, shall apply to such transaction.

The foregoing provisions under the headings "*—The Issuer*" and "*—Guarantors*" shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

Nothing in the section under the heading "*—Merger and Consolidation*" shall prohibit or restrict the Transactions or a transaction as described under "*—IPO Debt Pushdown*", each of which shall be expressly permitted under the provisions under the heading "*—Merger and Consolidation*."

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a person.

Suspension of Covenants on Achievement of Investment Grade Status

Following the first day that:

(a) the Notes have achieved Investment Grade Status; and

(b) no Default or Event of Default has occurred and is continuing under the Indenture,

(each such event, a "**Covenant Suspension Event**") then, beginning on that day and continuing until the Reversion Date (as defined below), the Issuer and the Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the following headings (collectively, the "**Suspended Covenants**"):

- "*—Limitation on Indebtedness*";
- "*—Limitation on Restricted Payments*";
- "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";
- "*—Limitation on Affiliate Transactions*";
- "*—Limitation on Sales of Assets and Subsidiary Stock*";
- "*—Additional Guarantees*"; and
- clause (3) of the first paragraph of "*—Merger and Consolidation—The Issuer*."

If at any time the Notes cease to have such Investment Grade Status, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the "**Reversion Date**") and will be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain Investment Grade Status (in which event the Suspended Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade Status); *provided that* no Default, Event of Default or breach of any kind shall be deemed to exist under the Notes Documents with respect to the Suspended Covenants based on, and none of the Issuer or any of the Restricted Subsidiaries shall bear any liability with respect to such Suspended Covenants for, any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising prior to the Reversion Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reversion Date is referred to as the "Suspension Period."

On the Reversion Date, all Indebtedness Incurred during the Suspension Period will be deemed to have been outstanding on the Issue Date so that it is classified as permitted under clause (4)(a) of the second paragraph of the covenant described under the heading "*—Limitation on Indebtedness*." On and after the Reversion Date, all Liens created during the Suspension Period will be considered Permitted Liens pursuant to clause (11) of such definition. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments as defined under "*—Limitation on Restricted Payments*" will be made as though the covenant described under "*—Limitation on Restricted Payments*" had been in effect since the Issue Date and prior to, but not during, the Suspension Period and, accordingly, Restricted Payments made during the Suspension Period will not reduce the amount available to be made as Restricted Payments under "*—Limitation on Restricted Payments*." On the Reversion Date, the amount of Excess Proceeds shall be reset at zero. Any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (6) of the second paragraph under of the covenant described under "*—Limitation on Affiliate Transactions*." Any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in the first paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" that becomes effective during the Suspension Period will be deemed to have existed on the Issue Date, so that it is classified as permitted under clause (1) of the second paragraph of the covenant described under "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*." On and after each Reversion Date, the Issuer and the Restricted Subsidiaries will be permitted to consummate the transactions contemplated by any contract entered into during the Suspension Period, so long as such contract and such consummation would have been permitted during such Suspension Period.

In addition, any future obligation to grant further Notes Guarantees shall be released. All such further obligation to grant Notes Guarantees shall be reinstated upon the Reversion Date.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of the Reversion Date. The Issuer shall notify the Trustee if the conditions under this covenant have been satisfied, although such notification shall not be a condition for suspension of the applicable covenants to be effective.

Events of Default

Subject to the provisions of this section, each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Guarantor or, solely in connection with the covenants described under "—*Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interest*," Topco, to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any agreement or obligation contained in the Indenture, other than those set out in clauses (1) or (2) above;

(4) the occurrence of any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed which is Incurred or Guaranteed by the Issuer or any Significant Subsidiary, other than Indebtedness owed to the Issuer or a Restricted Subsidiary, which:

  (a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (a "payment default"); or

  (b) results in the acceleration of such Indebtedness prior to its stated final maturity (the "**cross acceleration provision**"),

  and, in each case, the aggregate principal amount of all Indebtedness subject to such payment defaults or accelerations (after giving effect to any applicable grace periods), is in excess of the greater of (x) €86 million and (y) 20.0% of LTM EBITDA;

(5) save as governed by either the second or third paragraphs of this covenant, certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary (each, a "**Material Entity**") (the "**bankruptcy provisions**");

(6) failure by a Material Entity to pay final judgments aggregating in excess of the greater of (x) €86 million and (y) 20.0% of LTM EBITDA other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days (after receipt of notice as described in the second paragraph of this covenant) after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "**judgment default provision**");

(7) any Security Interest under the Transaction Security Documents having a fair market value in excess of the greater of (x) €65 million and (y) 15.0% of LTM EBITDA shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Transaction Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Indenture or any other Notes Document) for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Transaction Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 30 days (the "**security default provision**"); and

(8) except as permitted under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (including with respect to any limitations), any Notes Guarantee of one or more Guarantors that together constitute a Significant Subsidiary (a "Significant Guarantor") is held in any judicial

proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or is denied or disaffirmed by such Significant Guarantor or any person acting on behalf of it (the "**guarantee provision**").

However, a Default under clauses (3), (4) or (6) of the first paragraph of this section will not constitute an Event of Default unless (i) the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes has notified the Issuer of the Default and (ii) the Issuer has not cured such Default within 60 days after receipt of such notice, *provided that* a notice of Default may not be given with respect to any action taken and reported publicly and/or to the Holders, more than two (2) years prior to such notice of Default.

If an Event of Default (other than an Event of Default described in clause (5) of the first paragraph of this covenant) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Issuer and the Trustee may, and the Trustee (subject to certain conditions) at the request of such Holders shall, subject to the provisions of the next paragraph, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) of the first paragraph of this covenant has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) of the first paragraph of this covenant shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within 30 days after the declaration of acceleration with respect thereto and the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

Any notice of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) or instruction to the Trustee to provide a notice of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant), notice of acceleration with respect to an Event of Default under the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) or take any other action with respect to an alleged Default or Event of Default the first paragraph of this section (other than an Event of Default described in clause (5) of the first paragraph of this covenant) (a "**Noteholder Direction**") provided by any one or more Holders (each, a "Directing Holder") must be accompanied by a written representation from each such Holder to the Issuer and the Trustee that such Holder is not, or, in the case such Holder is Euroclear or Clearstream (as applicable, the "**Relevant Clearing System**") or the Relevant Clearing System's nominee, that such Holder is being instructed solely by beneficial owners that are not, Net Short (a "**Position Representation**"), which representation, in the case of a Noteholder Direction relating to a notice of Default shall be deemed repeated at all times until the resulting Event of Default is cured or otherwise ceases to exist or the Notes are accelerated. In addition, each Directing Holder must, at the time of providing a Noteholder Direction, covenant to provide the Issuer with such other information as the Issuer may reasonably request from time to time in order to verify the accuracy of such Directing Holder's Position Representation within five Business Days of request thereof (a "**Verification Covenant**"). In any case in which the Holder is the Relevant Clearing System or the Relevant Clearing System's nominee, any Position Representation or Verification Covenant required hereunder shall be provided by the beneficial owner of the Notes in lieu of the Relevant Clearing System or the Relevant Clearing System's nominee.

If, following the delivery of a Noteholder Direction, but prior to acceleration of the Notes, the Issuer determines in good faith that there is a reasonable basis to believe a Directing Holder was, at any relevant time, in breach of its Position Representation and the Issuer provides to the Trustee an Officer's Certificate (which shall be provided to the Holders) certifying that the Issuer (i) believes in good faith that there is a reasonable basis to believe a Directing Holder was at any relevant time in breach of its Position Representation or its Verification Covenant and (ii) has filed papers with a court of competent jurisdiction seeking a determination that such Directing Holder was, at such time, in breach of its Position Representation, and seeking to invalidate any Event of Default that resulted from the applicable Noteholder Direction, the cure period with respect to such Event of Default shall be automatically stayed pending a final and non-appealable determination of a court of competent jurisdiction on such matter. If such Officer's Certificate has been delivered to the Trustee, the Trustee shall refrain from acting in accordance with such Noteholder Direction until such time as the Issuer provides to the Trustee an Officer's Certificate stating that (i) a Directing Holder has satisfied its Verification Covenant, (ii) a Directing Holder has failed to satisfy its Verification Covenant or (iii) a court of competent jurisdiction rules that such Directing Holder was, at such time, not in breach of its Position Representation or its Verification Covenant, and during such time the cure period with respect to any Event of Default that resulted from the applicable Noteholder Direction shall be automatically stayed pending satisfaction of such Verification Covenant. Any breach of the Position Representation shall result in such Directing Holder's participation in such Noteholder Direction being treated as if such Directing Holder had participated in the same proportion as all other Noteholder Direction participations that were made by Directing Holders who are not in breach of their Position Representations or Verification Covenant; and, if, without the participation of such Directing Holder, the percentage of Notes held by the remaining Holders that provided such Noteholder Direction would have been insufficient to validly provide such Noteholder Direction, such Noteholder Direction shall be void ab initio, with the effect that such Event of Default shall be deemed never to have occurred, and any related acceleration rescinded, and the Trustee shall be deemed not to have received such Noteholder Direction or any notice of such alleged Default or Event of Default, shall not be permitted to act thereon and shall be restricted from accepting and acting on any future Noteholder Direction in relation to such Event of Default. If the Directing Holder has satisfied its Verification Covenant, then the Trustee shall be permitted to act in accordance with such Noteholder Direction. Notwithstanding the above, if such Directing Holder's participation is not required to achieve the requisite level of consent of Holders required under the Indenture to give such Noteholder Direction, the Trustee shall be permitted to act in accordance with such Noteholder Direction notwithstanding any action taken or to be taken by the Issuer (as described above). The Trustee shall be entitled to conclusively rely on any Noteholder Direction or Officer's Certificate delivered to it in accordance with the Indenture without verification, investigation or otherwise as to the statements made therein.

Each Holder by accepting a Note acknowledges and agrees that the Trustee (and any agent) shall not be liable to any party howsoever arising for acting or refraining to act in accordance with (i) the foregoing provisions, (ii) any Noteholder Direction, (iii) any Officer's Certificate or (iv) its duties under the Indenture or the Intercreditor Agreement as the Trustee may determine in good faith (*provided that* the Trustee's conduct does not constitute gross negligence, willful misconduct or fraud). The Trustee shall have no obligation (i) to monitor, investigate, verify or otherwise determine if a Holder has Net Short position, (ii) investigate the merits, validity, accuracy or authenticity of any Position Representation or Officer's Certificate, as the case may be, (iii) inquire if the Issuer will seek action to determine if a Directing Holder has breached its Position Representation, (iv) enforce any Verification Covenant, (v) monitor any court proceedings undertaken in connection therewith, (vi) monitor or investigate whether any Default or Event of Default has been publicly reported or (vii) otherwise make any calculations, investigations or determinations with respect to any derivatives or Net Short position or otherwise.

If a Default occurs for a failure to report or failure to deliver a required certificate in connection with another default (the "**Initial Default**") occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action.

If an Event of Default described in clause (5) above with respect to the Issuer occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Transaction Security Documents except as provided in such Transaction Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, on any Note held by a non-consenting Holder, which may only be waived with the consent of Holders of not less than 75% of the aggregate principal amount of the outstanding Notes) and rescind any such acceleration with respect to such Notes and its consequences (including the payment default that resulted from such acceleration) if rescission would not conflict with any judgment or decree of a court of competent jurisdiction. The Trustee shall be entitled to rely on its rights and benefits under the Indenture at all times, including without limitation, for actions that are taken and subsequently cured or waived.

The Indenture will provide that any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant under the heading "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

Any time periods prescribed in the Indenture to cure any actual or alleged Default or Event of Default may be extended or stayed by a court of competent jurisdiction.

For the avoidance of doubt, the Trustee shall be entitled to its rights and benefits under the Indenture for actions in respect of Defaults or Events of Default that are subsequently cured or annulled; *provided that* the Trustee's conduct is otherwise in accordance with the provisions of the Indenture and does not constitute willful misconduct, fraud or gross negligence.

The Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee has received indemnification and/or security and/or prefunding satisfactory to the Trustee in its sole discretion against any loss, liability, cost or expense (including certain legal fees). Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing and, if such Event of Default is in respect of clause (3), (4) or (6) of the first paragraph of this section, such Holder is not in breach of a Position Representation or Verification Covenant;

(2) Holders, or in the case of clauses (3), (4) or (6) of the first paragraph of this section, Directing Holders that are not in breach of a Position Representation or Verification Covenant, of at least 30% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing and, if requested, provided to the Trustee security and/or indemnity and/or prefunding satisfactory to the Trustee in its sole discretion against any loss, liability, cost or expense (including certain legal fees);

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of such security and/or indemnity and/or prefunding; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines (after consultation with counsel) is unduly prejudicial to the rights of any other Holder or that would involve the Trustee or any Agent in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security and/or prefunding satisfactory to the Trustee in its sole discretion against all fees, losses, liabilities, costs and expenses (including its legal fees) caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 150 days after the end of the first fiscal year of the Issuer ending after the Issue Date and within 120 days after the end of each fiscal year ending thereafter, an Officer's Certificate: (i) confirming whether the Issuer is aware of any Default that occurred during the previous year, and (ii) if the Issuer is aware of one or more Defaults which have occurred during the previous year, specifying such Default and, to the extent such Default is continuing as of the date of such Officer's Certificate, what action the Issuer is taking or proposes to take in respect thereof. The Indenture will also provide that the Issuer is required to deliver to the Trustee, within 30 days after becoming aware of the occurrence thereof (unless waived or cured during such time period), written notice in the form of an Officer's Certificate of any event that has occurred and is continuing which would constitute a Default, its status, and what action the Issuer is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions described below and to the provisions described in "—*Meetings of Holders*" below and mandatory provisions of applicable law, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided that* if any amendment, waiver or other modification of the Notes Documents will only affect one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. Subject to the foregoing, without the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of the Notes, or if any amendment, waiver or other modification of the Notes Documents will only amend, waive or modify one series of the Notes, without the consent of Holders holding at least 75% of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment, waiver or other modification of the Notes Documents may not, with respect to any such Notes held by a non-consenting Holder:

(1) reduce the stated rate of or extend the stated time for payment of interest on any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(2) reduce the principal of or extend the Stated Maturity of any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(3) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "Optional Redemption" or "Redemption for Taxation Reasons";

(4) make any such Note payable in currency other than that stated in such Note;

(5) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;

(6) make any change in the provision of the Indenture described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(7) release all or substantially all Security Interests granted for the benefit of the Holders in the Charged Property (taken as a whole) other than in accordance with the terms of the Transaction Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture; *provided that*, for the avoidance of doubt and without prejudice to the covenant described under "—*Certain Covenants—Impairment of Security Interest*," the release of less than all or substantially all Security Interests granted for the benefit of the Holders in the Charged Property (taken as a whole) shall only require the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain

exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes);

(8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any (except pursuant to a rescission of acceleration of the Notes which may be rescinded by the Holders of at least a majority in principal amount of such Notes and a waiver of the payment default that resulted from such acceleration which, for the avoidance of doubt, may be waived by Holders of at least a majority in principal amount of such Notes);

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(10) reduce the principal amount of Notes whose Holders must consent to any amendment, waiver or modification or make any other change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, the Indenture will not include any provision incorporating, giving effect to, or otherwise reflecting the provisions of Section 316(b) of the Trust Indenture Act and no amendment to, or deletion of, or actions taken in compliance with, the covenants described under "*—Certain Covenants*" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or interest or premium, if any, on the Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, mistake, defect, error or inconsistency;

(2) provide for the assumption by a successor person of the obligations of the Issuer or a Guarantor under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or make any change that does not adversely affect the rights of the Trustee or any Holder in any material respect under such Notes Document;

(5) provide for uncertificated Notes in addition to or in place of certificated Notes;

(6) provide for the issuance of Additional Notes in accordance with the terms of the Indenture;

(7) provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Notes Guarantees with respect to the Notes, to add an obligor or a Guarantor under any Notes Document, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Transaction Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(8) conform the text of the Indenture, the Transaction Security Documents or any other Notes Document to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a recitation of a provision of the Indenture, the Transaction Security Documents or such Notes Document;

(9) evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee, successor Security Agent or other successor agent pursuant to the requirements thereof or to provide for the accession by the Trustee, Security Agent or other agent to any Notes Document;

(10) in the case of the Transaction Security Documents, to mortgage, pledge, hypothecate or grant a Security Interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Facility or the Guarantee Facility, in any property which is required by the Transaction Security Documents or the Revolving Facility (as in effect on the Issue Date) or Guarantee Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Security Interest is required to be granted to the Security Agent, or to the extent necessary to grant a Security Interest in the Charged Property for the benefit of any person; *provided that* the granting of such Security Interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "—*Certain Covenants—Impairment of Security Interest*" is complied with;

(11) release any Guarantor from its Notes Guarantee pursuant to the Indenture when permitted or required by the Indenture;

(12) release and discharge any Lien securing the Notes when permitted or required by the Indenture (including pursuant to the second paragraph of the covenant described under "—*Certain Covenants—Liens*") or the Transaction Security Documents;

(13) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including to facilitate the issuance and administration of Notes; *provided, however,* that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of holders of the Notes to transfer Notes in any material respect;

(14) comply with the rules of any applicable securities depository;

(15) provide for a reduction in the minimum denominations of the Notes;

(16) facilitate any transaction that complies with the provisions described under the headings "—*Merger and Consolidation*" and "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" relating to mergers, consolidations and sales of assets;

(17) make any amendment of an administrative or ministerial nature to the provisions of the Indenture or any Notes Document to facilitate a Permitted Reorganization or a transaction described under "—*IPO Debt Pushdown*"; or

(18) as provided in "—*Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decisions on such matters, the Trustee and the Security Agent, as applicable, shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel. The Trustee shall not be obligated to enter into any such amendment to the Indenture, the Notes or any other Notes Document that affects its own rights, duties, indemnities or immunities under the Indenture or otherwise.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, waiver or consent in respect of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment, waiver or consent. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. The Indenture will not contain a covenant regulating the offer or payment of a consent fee to Holders.

Notwithstanding the foregoing, in order to effect an amendment authorized by clauses (2), (3) and (7) above or as contemplated by the covenant described under "—*Certain Covenants—Additional Guarantees*" in each case in respect of the provision of a Notes Guarantee for the benefit of Holders, a supplemental indenture or other documents or instruments providing for the accession of such Guarantor or the provisions of such Notes Guarantee shall be authorized and executed by the Issuer, such additional Guarantor and the Trustee (and no other party).

Acts by Holders

A Note does not cease to be outstanding because the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) holds the Note; *provided that*, in determining whether the holders of the requisite majority of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof) shall be disregarded and deemed not to be outstanding if a responsible officer of the Trustee has received written notice of such ownership at least two Business Days prior to the date of such determination. Prior to the receipt of such notice, the Trustee shall be entitled to assume that none of the Notes are owned by the Issuer, an Affiliate of the Issuer, or any fund or other entity controlled, managed by or advised by any direct or indirect shareholder of the Issuer (or, in each case, any successor thereof). For the avoidance of doubt, provision of such notice shall not be an obligation of the Issuer.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes Documents ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Transaction Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the obligations of it and the Restricted Subsidiaries under the covenants described under "*—Certain Covenants*" (other than clauses (1), (2) and (4) of "*—Merger and Consolidation—The Issuer*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Event of Default*," the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions (other than with respect to the Issuer), the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1), (2) and (4) of "*—Merger and Consolidation—The Issuer*"), (4), (5) (other than with respect to the Issuer), (6), (7) or (8) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in Euros or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel to the effect that Holders, in their capacity as Holders, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and

(3) an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement, the Transaction Security Documents and any other relevant Notes Document will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Notes and certain surviving rights of the Trustee and the Issuer's obligations with respect thereto, in each case, as expressly provided for in the Indenture) as to all Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee or the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money in Euros or European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each stating that all conditions precedent under the section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided that* any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested in writing by the Issuer (which request may be included in the above-mentioned Officer's Certificate), the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) shall distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided, however,* that the Holders shall have received at least three Business Days' notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a depositary for the clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system.

Meetings of Holders

All meetings of Holders of each series of Notes will be held in accordance with applicable Italian laws and regulations in force from time to time (including, without limitation, Legislative Decree No. 58 of 24 February 1998 as amended) and the by-laws of the Issuer in force from time to time. In addition to and without prejudice to the provisions described above under the caption "—*Amendments and Waivers*," the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification, waiver or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. The provisions set out in the Indenture will be deemed to be amended, replaced and supplemented to the extent that any Italian laws and regulations dealing with the meetings of the Holders of the Notes or the relevant provisions in the by-laws of the Issuer are amended at any time imposing a change to such provisions while the Notes remain outstanding. In accordance with Article 2415 of the Italian Civil Code, the meeting of the Holders of the Notes is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative (as defined below), (ii) any amendment to the terms and conditions of the Notes, (iii) motions for the composition with creditors (*concordato*) of the Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Holders and the related statements of account; and (v) any other matter of common interest to the Holders of the Notes.

A meeting may be convened either (i) by the Board of Directors of the Issuer or (ii) by the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon request by Holders of at least 5.0% of the aggregate principal amount of the outstanding Notes. If the Board of Directors of the Issuer defaults in convening such a meeting following such request of the Holders, the same shall be convened by the Board of Statutory Auditors of the Issuer (or other equivalent corporate body) or, in the case of failure, by a decree of the competent court if the default is unjustified upon request by such Holders, in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the by-laws of the Issuer in force from time to time.

In accordance with Italian law, such a meeting will be validly held if: (a) in the case of a first meeting (*prima convocazione*), there are one or more persons present being or representing Holders of the Notes holding more than one half of the aggregate principal amount of the then outstanding Notes, (b) in the case of a second meeting (*seconda convocazione*) or any further adjourned meeting (*convocazioni successive*), there are one or more persons present being or representing Holders of the Notes holding more than one third of the aggregate principal amount of the then outstanding Notes, provided however that the Issuer's by-laws in force from time to time may in each case (to the extent permitted under applicable Italian law) provide for a higher quorum.

The vote required to pass a resolution by a meeting of the Holders of the Notes will be (i) in the case of the first meeting (*prima convocazione*), one or more persons that hold or represent Holders of the Notes holding more than one half of the aggregate principal amount of the outstanding Notes and (ii) in the case of the second meeting (*seconda convocazione*) and any further adjourned meeting (*convocazioni successive*), one or more persons that hold or represent Holders of the Notes holding at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting, *provided, however,* that the Issuer's by-laws may (to the extent permitted under Italian law) provide for a higher quorum. Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent Holders of the Notes holding at least one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "—*Amendments and Waivers*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Italian law to pass an extraordinary resolution with respect to such matters to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The terms and conditions of the Notes may be amended with the vote of 75% of the aggregate principal amount of the outstanding Notes*." Any resolution duly passed at any such meeting shall be binding on all the Holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution.

To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2416, 2377 and 2379 of the Italian Civil Code. The Indenture will provide that the provisions described under this "—*Meetings of Holders*" will be in addition to, and not in substitution of, the provisions described under the caption "—*Amendments and Waivers*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "—*Meetings of Holders*" must also comply with the other provisions described under "—*Amendments and Waivers*."

Pursuant to and for the purposes of Article 2419 of the Italian Civil Code, the individual rights of the Holders of the Notes are not precluded, unless they are inconsistent with the resolutions of the meeting of the Holders of the Notes pursuant to Article 2415 of the Italian Civil Code.

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the Holders of the Notes of the initial appointment as of the Issue Date of the Security Representative as representative (*rappresentante*) of the Holders of the Notes pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture, each Holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to, inter alia, represent the interests of the Holders of the Notes under the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the competent Court upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

BNY Mellon Corporate Trustee Services Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in Indenture will not be construed as an obligation or duty. The Indenture will provide that the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered and, if requested, provided to the Trustee security and/or indemnity and/or pre-funding satisfactory to the Trustee in its sole discretion against any loss, liability or expense and then only to the extent required by the terms of the Indenture.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet any minimum limits as may be specified in the Indenture regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any losses, liabilities, taxes, charges, claims, costs and expenses (including certain legal fees) incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture. The Trustee and the Security Agent, as applicable, shall be entitled to rely solely and conclusively on any Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate in formulating its opinion or in taking or not taking any action under the Indenture, and may rely on such Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate without need for further investigation or verification.

Any obligations under the Indenture of The Bank of New York Mellon SA/NV, Dublin Branch will be subject to bail-in powers under the EU Bank Recovery and Resolution Directive.

The Trustee makes no representations, and will not be liable with respect to, adequacy or accuracy of any of the information set forth in this Offering Memorandum.

Notices

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and if and to the extent that the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (*www.luxse.com*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

All notices to Holders will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream in accordance with the applicable procedures of Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, premium, if any, or Additional Amounts, if any, on the Notes will be prescribed ten (10) years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Notes Guarantees, including damages. Any amount received or recovered in a currency other than Euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee or the Paying Agent, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Euro amount is less than the Euro amount expressed to be due to the recipient or the Trustee or the Paying Agent under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee or the Paying Agent as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee and the Paying Agent on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note, the Trustee or the Paying Agent to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note, the Trustee or the Paying Agent (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee or the Paying Agent.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any Euro-denominated restriction herein, the Euro equivalent amount for purposes hereof that is denominated in a non-Euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-Euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF thereof.

Enforceability of Judgments

Since substantially all of the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Notes Guarantees, the Issuer and each Guarantor in the Indenture or the applicable supplemental indenture will irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture, the Notes and the Notes Guarantees, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, the governing law of the Indenture and the Notes may be amended with the consent of Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). The sections "Amendments and Waivers," "Meeting of Holders" and "Security Representative and Noteholders' Representative" and the provisions of the Indenture concerning the meetings of Holders of the Notes and the appointment of the Security Representative and the Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy. The Intercreditor Agreement and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England. The Transaction Security Documents are or will be governed by the law of the location of the relevant asset that is part of the Charged Property.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness: (1) of a person or any of its Subsidiaries existing at the time such person becomes a Restricted Subsidiary; (2) assumed in connection with the acquisition of assets from such person, in each case whether or not Incurred by such person in connection with such person becoming a Restricted Subsidiary or such acquisition; or (3) of a person at the time such person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary, *provided that* Acquired

Indebtedness shall be deemed to have been Incurred, with respect to clause (1) on the date such person becomes a Restricted Subsidiary, with respect to clause (2) on the date of consummation of such acquisition of assets and, with respect to clause (3) on the date of the relevant merger, consolidation or other combination.

"**Additional Assets**" means:

(1) any property or assets (other than Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful (including Investments in property or assets for potential future use) in a Similar Business (it being understood that capital expenditures on property or assets already used, or to be used, in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any person that at such time is a Restricted Subsidiary.

"**Affiliate**" of any specified person means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the agreed security principles appended to the Revolving Facility Agreement, as of the Existing Notes Issue Date, as applied mutatis mutandis with respect to the Notes in good faith by the Issuer.

"**AIFMD**" means the Alternative Investment Fund Managers Directive 2011/61/EU.

"**Applicable Premium**" means the greater of:

(a) 1.0% of the principal amount of such Note; and

(b) as of any redemption date, the excess (to the extent positive) of:

(i) the present value at such redemption date of (1) 100.000% of the principal amount of such Note, plus (2) all required interest payments due on such Note to and including April 15, 2025 (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 Notes for the period from the redemption date through April 15, 2025 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over

(ii) the outstanding principal amount of such Note; and

as calculated by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate. For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or the Paying Agent.

"**Asset Disposition**" means:

(a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Issuer or any of the Restricted Subsidiaries (in each case other than Capital Stock of the Issuer) (each referred to in this definition as a "disposition"); or

(b) the issuance, sale, transfer or other disposition of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on*

Indebtedness" or directors' qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions,

in each case, other than:

(1) a disposition by the Issuer or a Restricted Subsidiary to the Issuer or a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, receivables, trading stock, equipment or other assets (including Settlement Assets) in the ordinary course of business or consistent with past practice or held for sale or no longer used in the ordinary course of business, including any disposition of disposed, abandoned or discontinued operations;

(4) a disposition of obsolete, worn-out, uneconomic, damaged, retired or surplus property, equipment, facilities or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Issuer and the Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Issuer and the Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Issuer or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Issuer or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance, disposition, sale or transfer of Capital Stock (A) by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity based, equity linked, profit sharing or performance based, incentive or compensation plan approved by the Board of Directors of the Issuer or (B) relating to directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than the greater of (a) €65 million and (b) 15.0% of LTM EBITDA;

(8) any Restricted Payment, Permitted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," and/or asset sales, dispositions or transfers (or portions thereof) to the extent the proceeds of which are used within 365 days of receipt of such proceeds to make such Restricted Payments, Permitted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favour of the Issuer or any Restricted Subsidiary;

(11) conveyances, sales, transfers, licenses or sublicenses, lease or assignment or other dispositions of intellectual property rights, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice or pursuant to a research or development agreement in which the counterparty to such agreement receives a license or other right in the intellectual property or software that result from such agreement;

(12) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business or consistent with past practice;

(13) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(14) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes including pursuant to any factoring arrangements) of accounts receivable or other loans or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;

(15) any issuance, sale or transfer of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary or any other disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary or an Immaterial Subsidiary;

(16) any disposition, issuance, sale or transfer of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) dispositions of property to the extent: (i) that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased; (ii) that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased); or (iii) allowable under Section 1031 of the Code (or any similar provision under applicable tax law) and constituting any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(18) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with past practice;

(19) any disposition pursuant to any non-recourse factoring transaction or any financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Issuer or any Restricted Subsidiary after the Issue Date, including Sale and Leaseback Transactions and asset securitizations, permitted by the Indenture;

(20) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;

(21) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind;

(22) the unwinding of any Cash Management Services or Hedging Obligations (or any other disposition of interests in derivative transactions);

(23) any disposition of assets to a person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such person, *provided that* the Issuer shall certify that in its opinion, the outstanding transaction will be economically beneficial to the Issuer and the Restricted Subsidiaries (considered as a whole); and

(24) dispositions of non-core assets (as determined by the Issuer in its good faith judgment) in connection with an acquisition, *provided that* the value of such noncore assets does not exceed 50% of the consideration payable in connection with such acquisition and the consideration received by the Issuer or any Restricted Subsidiary from such disposition is not less than the

fair market value of such disposition (or, if lower, the consideration paid by the Issuer or any Restricted Subsidiary for such non-core asset),

in each case *provided that* in the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "*—Certain Covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under "*—Certain Covenants—Limitation on Restricted Payments*."

"**Associate**" means (i) any person engaged in a Similar Business of which the Issuer or the Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"**Available RP Capacity Amount**" means:

(a) the aggregate amount of Restricted Payments that may be made at the time of determination pursuant to (x) the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" and (y) clauses (6), (10), (12), (17) and (19) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," in each case, multiplied by one hundred per cent.; minus

(b) the sum of the amount of the Available RP Capacity Amount utilized by the Issuer or any Restricted Subsidiary to (i) make Restricted Payments in reliance on the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" and clauses (6), (10), (12), (17) and (19) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," and (ii) Incur Indebtedness pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; plus

(c) the aggregate principal amount of Indebtedness prepaid prior to or substantially concurrently at such time, solely to the extent such Indebtedness was Incurred pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (it being understood that the amount under this clause (c) shall only be available for use pursuant to clause (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"**Board of Directors**" means (i) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof, (ii) with respect to any partnership, the board of directors or other governing body of the general partner, as applicable, of the partnership or any duly authorized committee thereof, (iii) with respect to a limited liability company, the managing member or members or any duly authorized controlling committee thereof and (iv) with respect to any other person, the board or any duly authorized committee of such person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Issuer.

"**Bund Rate**" as selected by the Issuer, means the rate per annum equal to the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors of the Issuer)) most nearly equal to the period from the redemption date to April 15, 2025; *provided, however,* that if the period from the redemption date to April 15, 2025 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 April 15, 2025 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used and *provided that* the "Bund Rate" shall be at least 0.00%.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, New York, New York, Luxembourg or London, United Kingdom are authorized or required by law to close.

"**Business Successor**" means (i) any former Subsidiary of the Issuer and (ii) any person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Issuer (that results in such Subsidiary ceasing to be a Subsidiary of the Issuer), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Issuer.

"**Capital Stock**" of any person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

"**Capitalized Lease Obligations**" means, in relation to any determination, an obligation that is required to be classified and accounted for as lease liabilities on the balance sheet in accordance with IFRS 16 (Leases) (or any equivalent measure under GAAP). The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS 16 (Leases) (or any equivalent measure under GAAP); and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) Euros, Brazilian reals, Canadian dollars, Swiss Francs, United Kingdom pounds, Japanese Yen, Dollars, Australian Dollars or any national currency of any member state of the European Union or any other foreign currency held by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(2) securities or other direct obligations issued or directly and fully Guaranteed or insured by the government of Australia, Brazil, Canada, Japan, Norway, Switzerland, the United Kingdom or the United States of America, the European Union or any member state of the European Union on the Issue Date or, in each case, any agency or instrumentality thereof (*provided that* the full faith and credit of such country or such member state is pledged in support thereof), with maturities of twenty-four (24) months or less from the date of acquisition;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization); or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (11) entered into with any bank meeting the qualifications specified in clause (3) above;

(5) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any person referenced in clause (3) above;

(6) readily marketable direct obligations issued by a member state of the European Union, Japan, Australia, Switzerland, Norway, Canada, the United States of America, any State of the United States or the District of Columbia or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P;

(7) commercial paper and variable or fixed rate notes issued by a bank meeting the qualifications specified in clause (3) above (or by the Parent Entity thereof) maturing within one year after the date of creation thereof or any commercial paper and variable or fixed rate note issued by, or guaranteed by a corporation rated at least "A-1" or higher by S&P or "P-1" or higher by Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization selected by the Issuer) maturing within one year after the date of creation thereof;

(8) Indebtedness or preferred stock issued by persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(9) bills of exchange issued in a member state of the European Union, United Kingdom, Norway, Japan, Australia, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(10) with respect to a jurisdiction in which the Issuer or a Restricted Subsidiary conducts business or is organized, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings of its long term debt, among the top five (5) banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operations in such jurisdiction;

(11) interests in any investment company, money market, enhanced high yield fund or other investment fund which invests 90% or more of its assets in instruments of the types specified in clauses (1) through (10) above; and

(12) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"**Cash Management Services**" means any of the following: automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, daylight or overnight draft facilities and/or cash management services, including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements in the ordinary course of business or consistent with past practice.

"**Change of Control**" means:

(1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Existing Notes Issue Date), other than one or more Permitted Holders, being or becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act as in effect on the Existing Notes Issue Date) of more than 50% of the total voting power of the Voting Stock of the Issuer other than in connection with any transaction or series of transactions in which the Issuer shall become the wholly owned subsidiary of a Parent Entity so long as no person or group, as noted above, other than a Permitted Holder, holds more than 50% of the total voting power of the Voting Stock of such Parent Entity; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole to a person, other than a Restricted Subsidiary or one or more Permitted Holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of (i) an IPO Entity or (ii) a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence or a Permitted Holder) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, 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.

"**Change of Control Triggering Event**" means the occurrence of a Change of Control, unless pro forma for the Change of Control, the Consolidated Total Net Leverage Ratio is less than 4.50 to 1.00; *provided that*, notwithstanding anything herein to the contrary, when calculating the Consolidated Total Net Leverage Ratio for purposes of this definition, the Issuer shall be entitled, at its option, to have such determinations occur (a) at the time of entry into such definitive agreement, put option or similar arrangement, or (b) at the time of the closing of the acquisition resulting in a Change of Control.

"**Charged Property**" means all of the assets which from time to time are, or are expressed to be, the subject of the Transaction Security.

"**Clearstream**" means Clearstream Banking, S.A., or any successor thereof.

"**Consolidated Depreciation and Amortization Expense**" means, with respect to any person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) capitalized expenditures, lease obligations, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such person and the Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS and any write down of assets or asset value carried on the balance sheet.

"**Consolidated EBITDA**" means, with respect to any person for any period, the Consolidated Net Income of such person for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, revenue or capital, including federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes of such person paid or accrued during such period, including any penalties and interest relating to any tax examinations (including any additions to such taxes, and any penalties and interest with respect thereto), deducted (and not added back) in computing Consolidated Net Income; plus

(b) Fixed Charges of such person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (1)(I) through (1)(VIII) thereof, in each case, to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; plus

(c) Consolidated Depreciation and Amortization Expense of such person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; plus

(d) any (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Permitted Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Facility, the Guarantee Facility, any other Credit Facility or Public Debt and any Securitization Fees, any Receivables Facility, Securitization Facilities, any other Credit Facility or Public Debt, any Securitization Fees, any other Indebtedness permitted to be Incurred under the Indenture or any

Equity Offering, and (ii) any amendment, waiver or other modification of any of the foregoing, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; plus

(e) the amount of any (i) loss, charge, accrual or reserve (and adjustments to existing reserves), transaction or integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs Incurred in connection with acquisitions or divestitures after the Issue Date, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employment benefit plans (including any settlement of pension liabilities), operational and technology systems development and establishment costs, future lease commitments and costs related to the opening, pre-opening, abandonment, disposal, discontinuation and closure and/or consolidation of facilities and to exiting lines of business and consulting fees Incurred with any of the foregoing and (ii) fees, costs and expenses associated with acquisition related litigation and settlements thereof; plus

(f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting; *provided that* if any such non-cash charge, write-down or item to the extent it represents an accrual or reserve for a cash expenditure for a future period then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); plus

(g) the amount of board of director fees, management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to any member of the Board of Directors of the Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted pursuant to the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*"; plus

(h) the "run-rate" synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives that are expected (in good faith) to be realized as a result of actions commenced, taken or expected to be taken after the date of any acquisition or other such Investment not prohibited under the Indenture (including the acquisition, opening and/or development of any facility, site or operation), disposition, divestiture, restructuring or the implementation of any synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives or, in each case, any related steps (calculated on a pro forma basis as though such synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions; *provided that* (i) such actions are expected (in the good faith determination of the Issuer) to result in synergies, cost savings, operating expense reductions, operating improvements or other similar initiatives, and (ii) no synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for such period (which adjustments, without double counting, may be incremental to pro forma adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"); plus

(i) the "run-rate" expected synergies, cost savings, operating expense reductions, operating improvements or other similar initiatives related to information and technology systems establishment, modernization or modification, restructuring charges and expenses and synergies related to the Transactions projected by the Issuer in good faith to result from actions with respect to which substantial steps have been, will be, or are expected to be, taken (in the good faith determination of the Issuer), calculated on a pro forma basis as though such synergies, cost savings, restructuring charges and expenses, operating expense reductions, operating improvements or other similar initiatives had been realized from the first day of such period and during the entirety of such period, net of the amount of actual benefits realized during such period from such actions, and which adjustments, without double counting, may be incremental to pro forma adjustments made pursuant to the definition of "Fixed Charge Coverage Ratio"; plus

(j) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets to the Securitization Subsidiary in connection with a Qualified Securitization Financing or Receivables Facility; plus

(k) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under "—*Certain Covenants—Limitation on Restricted Payments*"; plus

(l) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) of this definition for any previous period and not added back; plus

(m) any net loss included in the Consolidated Net Income attributable to non-controlling interests; plus

(n) realized foreign exchange losses resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and the Restricted Subsidiaries; plus

(o) net realized losses from Hedging Obligations or embedded derivatives; plus

(p) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto; plus

(q) with respect to any joint venture, an amount equal to the proportion of those items described in sub-clauses (a) and (c) above relating to such joint venture corresponding to the Issuer's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) to the extent the same was deducted (and not added back) in calculating Consolidated Net Income; plus

(r) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; plus

(s) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; plus

(t) the amount of expenses relating to payments made to option holders of the Issuer or any Parent Entity in connection with, or as a result of, any distribution being made to equityholders of such person or its Parent Entities, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; plus

(u) to the extent not already otherwise included herein, the type of adjustments and add-backs (including anticipated synergies) or costs or expenses (or, in each case, similar items) made in calculating "Pro Forma Adjusted EBITDA" (or similar items) in the final offering memorandum dated December 29, 2020 with respect to the Existing Notes, and/or any adjustments (applied in good faith) contained in a quality of earnings report (prepared in good faith by a nationally or internationally recognized accounting firm) in connection with any acquisition or other Investment that is (i) not prohibited by the Indenture and (ii) actually consummated by the Issuer or any of its Restricted Subsidiaries; plus

(v) earn out obligations Incurred in connection with any permitted acquisition or other Investment permitted under the Indenture and paid or accrued during such period; plus

(w) losses, charges and expenses related to the pre-opening and opening of new facilities, and start-up period prior to opening, that are operated, or to be operated, by the Issuer or any Restricted Subsidiary; and

(2) decreased (without duplication) by non-cash gains increasing Consolidated Net Income of such person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period.

For purposes of making the computation of Consolidated EBITDA or any component definition thereof, the Issuer may, at its option, include such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other adjustments permitted by the Indenture.

"**Consolidated Interest Expense**" means, with respect to any person for any period, without duplication, the sum of:

(1) consolidated interest expense of such person and its Subsidiaries that are Restricted Subsidiaries for such period (in each case, determined on the basis of IFRS), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to IFRS), (d) the interest component of lease obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (I) Securitization Fees, (II) penalties and interest relating to taxes (but excluding, for the avoidance of doubt, any Additional Amounts paid with respect to the Notes or the Notes Guarantees), (III) any additional cash interest owing pursuant to any registration rights agreement, (IV) accretion or accrual of discounted liabilities other than Indebtedness, (V) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition, (VI) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated Hedging Obligations and other commissions, financing fees and expenses and original issue discount with respect to Indebtedness borrowed under the Revolving Facility and Guarantee Facility and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program, (VII) any expensing of bridge, commitment and other financing fees, (VIII) interest with respect to Indebtedness of any parent of such person appearing upon the balance sheet of such person solely by reason of push-down accounting under IFRS, and (IX) Subordinated Shareholder Funding); plus

(2) consolidated capitalized interest of such person and its Subsidiaries that are Restricted Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); less

(3) interest income for such period,

provided that, for purposes of this definition, interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by such person to be the rate of interest implicit in such lease in accordance with IFRS.

"**Consolidated Net Income**" means, with respect to any person for any period, the net income (loss) of such person and its Subsidiaries that are Restricted Subsidiaries for such period determined on a consolidated basis on the basis of IFRS after any reduction in respect of Preferred Stock dividends; *provided that* there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any person if such person is not a Restricted Subsidiary (including any net income (loss) from Investments recorded in such person under the equity method of accounting), except that the Issuer's equity in the net income of any such person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided that*, for the purposes of clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under the definition of "**Permitted Investments**";

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than the Issuer and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to any Transaction Documents or Debt Documents (as defined in the Intercreditor Agreement) and (c) restrictions specified in clause (12)(a) of the second paragraph of the covenant described under "—Cer*tain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed or discontinued operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense, including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions and the build-out, renovation and expansion of facilities), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) the cumulative adverse effect of a change in law, regulation or accounting principles, including any impact resulting from an election by the Issuer to apply GAAP at any time following the Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness (including Hedging Obligations) and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any fees, charges and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, reorganization, restructuring, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date, and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(10) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any person denominated in a currency other than the functional currency of such person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(11) any unrealized or realized gain or loss due solely to fluctuations in currency values and the related tax effects, determined in accordance with IFRS;

(12) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transactions), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(13) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to IFRS;

(14) any effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(15) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with IFRS, or changes as a result of adoption or modification of accounting policies;

(16) any costs associated with the Transactions;

(17) any non-cash expenses, accruals or reserves related to adjustments to historical tax exposures and any deferred tax expense associated with tax deductions or net operating losses arising as a result of the Transactions, or the release of any valuation allowances related to such item;

(18) any effects of adjustments to accruals and reserves during a period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks (including government program rebates);

(19) any net gain (or loss) from disposed, ceased, abandoned or discontinued operations and services and any net gain (or loss) on disposal of disposed, discontinued, ceased or abandoned operations; and

(20) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding,

provided that, in addition, to the extent not already included in the Consolidated Net Income of such person and its Subsidiaries that are Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"**Consolidated Senior Secured Net Leverage Ratio**" means as of any date of determination, the ratio of:

(i) the sum of:

(A) Senior Secured Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, will constitute Senior Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis, to

(ii) LTM EBITDA,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "**Fixed Charge Coverage Ratio**" and (without duplication) any other pro forma adjustments permitted by the Indenture and further *provided that* the pro forma calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (5)(i)(III), (5)(ii)(III) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"**Consolidated Total Indebtedness**" means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money and Capitalized Lease Obligations, but excluding any Indebtedness under or with respect to Cash Management Services, intercompany Indebtedness of the Group, Hedging Obligations, Receivables Facilities and Securitization Facilities.

"**Consolidated Total Net Leverage Ratio**" means as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis; to

(ii) LTM EBITDA,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other pro forma adjustments permitted by the Indenture and further *provided that* the pro forma calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"**Consolidated Total Secured Indebtedness**" means, as of any date of determination, the aggregate principal amount of Indebtedness for borrowed money secured on the Charged Property by a Permitted Collateral Lien, but excluding any Indebtedness under or with respect to Cash Management Services, intercompany Indebtedness of the Group, Hedging Obligations, Receivables Facilities, Securitization Facilities or Capitalized Lease Obligations (to the extent not secured on the Charged Property).

"**Consolidated Total Secured Net Leverage Ratio**" means as of any date of determination, the ratio of:

(i) the sum of:

(A) Consolidated Total Secured Indebtedness as of such date; and

(B) the Reserved Indebtedness Amount in respect of Indebtedness which, once Incurred, would be included in the calculation of Consolidated Total Secured Indebtedness,

less the aggregate amount of cash, Cash Equivalents (which may include any cash that collateralizes guarantee or letter of credit facilities of the Issuer or any Restricted Subsidiary), Temporary Cash Investments and Investment Grade Securities of the Issuer and the Restricted Subsidiaries on a consolidated basis; to

(ii) LTM EBITDA,

in each case, *provided that* the Issuer may include at its option such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio" and (without duplication) any other pro forma adjustments permitted by the Indenture and further *provided that* the pro forma calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d), (5) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (but solely to the extent of available Available RP Capacity Amount deriving from clause (17)(ii) of the third paragraph of the covenant described under "*—Certain Covenants—Limitations on Restricted Payments*")).

"**Contingent Obligations**" means, with respect to any person, any obligation of such person guaranteeing in any manner, whether directly or indirectly, any lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other person (the "**primary obligor**"), including any obligation of such person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Controlled Investment Affiliate**" means, as to any person, any other person, which directly or indirectly is in control of, is controlled by, or is under common control with such person and is organized by such person (or any person controlling such person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

"**Credit Facility**" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures, instruments, or other arrangements (including the Revolving Facility, the Guarantee Facility, the Existing Notes Indenture or commercial paper facilities and overdraft facilities) with banks, other financial institutions, funds, governmental or quasi-governmental agencies or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Revolving Facility, the Existing Notes Indenture the Guarantee 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.

"**Default**" means an Event of Default or any event or circumstance specified under "*—Events of Default*" which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Notes Documents or any combination of any of the foregoing) be an Event of Default.

"**Derivative Instrument**" with respect to a person, means any contract, instrument or other right to receive payment or delivery of cash or other assets to which such person or any Affiliate of such person that is acting in concert with such person in connection with such person's investment in the Notes (other than a Screened Affiliate) is a party (whether or not requiring further performance by such person), the value and/or cash flows of which (or any material portion thereof) are materially affected by the value and/or performance of the Notes and/or the creditworthiness of the Issuer and/or any one or more of the Guarantors (the "**Performance References**").

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Issuer or any Restricted Subsidiary) of non-cash consideration received by the Issuer or any of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"**Designated Preferred Stock**" means Preferred Stock of the Issuer or a Parent Entity (other than Disqualified Stock) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and that is designated as "Designated Preferred Stock" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(iii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"**Disinterested Director**" means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

"**Disqualified Stock**" means, with respect to any person, any Capital Stock of such person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or

(2) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided that* (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"; provided further that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members)), of the Issuer, any of its Subsidiaries, any Parent Entity or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory, contractual or regulatory obligations.

"**Equity Contribution**" means contributions (by way of cash, equity interests contributed or the sale or issuance of equity interests or Subordinated Shareholder Funding or otherwise) to the Issuer or any of the Restricted Subsidiaries made, either directly or indirectly, by the Initial Investors or Management Stockholders, as the case may be, to the extent used to consummate the Transactions.

"**Equity Documents**" means the constitutional documents and any other document designated in writing as an "Equity Document" by the Issuer and the Trustee.

"**Equity Offering**" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any person, the proceeds of which are contributed to the equity of the Issuer or any of the Restricted Subsidiaries by any Parent Entity in any form other than Indebtedness, Excluded Contributions, Equity Contributions or Excluded Amounts.

"**Euro**" or "**€**" means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

"**Euroclear**" means Euroclear Bank SA/NV or any successor thereof.

"**European Government Obligations**" means any security denominated in Euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the Issuer thereof.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock, Equity Contributions or Excluded Amounts) of the Issuer after the Existing Notes Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock or Subordinated Shareholder Funding of the Issuer, Equity Contributions or Excluded Amounts), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"**Existing Notes Issue Date**" means December 29, 2020.

"**Existing Notes Guarantee**" means a guarantee of the Existing Notes pursuant to the Existing Notes Indenture.

"**Existing Notes Indenture**" means the indenture dated December 29, 2020, among, *inter alios*, Sofima Holding S.p.A., IMA BidCo S.p.A., the then direct parent entity of the Issuer, which was later merged into the Issuer, Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as security agent and legal representative (*mandatario con rappresentanza*) and as representative (*rappresentante*) of holders of the Notes pursuant to and for purposes set forth under Article 2414-bis, paragraph 3, of the Italian Civil Code, BNY Mellon Corporate Trustee Services Limited, as trustee, The Bank of New York Mellon, London Branch, as paying agent and calculation agent and The Bank of New York Mellon SA/NV, Dublin Branch, as registrar and transfer agent.

“**Existing Shareholder’s Loans**” means the shareholder’s loans granted by Sofima PIK to the Issuer and outstanding as of the Issue Date.

"**fair market value**" wherever such term is used in this "Description of the Notes" or the Indenture (except as otherwise specifically provided in this "Description of the Notes" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or Board of Directors in good faith.

"**Fitch**" means Fitch Ratings, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Fixed Charge Coverage Ratio**" means with respect to any person on any determination date, the ratio of LTM EBITDA to the Fixed Charges of such person for the Relevant Testing Period.

In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred or issues or redeems Disqualified Stock or Preferred Stock, in each case, subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Fixed Charge Coverage Ratio Calculation Date**"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the Relevant Testing Period; *provided that* the pro forma calculation shall not give effect to any Fixed Charges attributable to Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the covenant described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clauses (1)(b), (1)(c), (1)(d) and (5) of the second paragraph thereof).

For purposes of making the computation referred to above, any permitted acquisitions, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations that have been made by the Issuer or any of the Restricted Subsidiaries, during the Relevant Testing Period or subsequent to the Relevant Testing Period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such permitted acquisitions, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in LTM EBITDA resulting therefrom) had occurred on the first day of the Relevant Testing Period. If since the beginning of such period any person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of the Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, amalgamation, consolidation, disposed or discontinued operation had occurred at the beginning of the Relevant Testing Period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer and may include cost savings, expense reductions and synergies, including (but not limited to) from the result of a disposition or ceased or discontinued operations, as though such cost savings, expense reduction and synergies had been achieved on the first day of the Relevant Testing Period. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated, at the Issuer's option, either (x) as if the rate in effect on the determination date had been the applicable rate for the entire Relevant Testing Period or (y) using the average rate in effect over the Relevant Testing Period, in each case taking into account any Hedging Obligations applicable to such Indebtedness. Interest on a lease (including any Capitalized Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the Relevant Testing Period except to the extent such revolving credit facility has been permanently repaid and the commitments thereunder cancelled. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"**Fixed Charges**" means, with respect to any person for any period, the sum of:

(1) Consolidated Interest Expense of such person for such period;

(2) all-cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary of such person during such period; and

(3) all-cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

"**GAAP**" means generally accepted accounting principles in the United States of America.

"**Guarantee**" means, any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other person, including any such obligation, direct or indirect, contingent or otherwise, of such person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, that the term "Guarantee" will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business, and provided further that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by such person in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantee Facility**" means a €250 million bank guarantee facility available to the Issuer and/or any of the Restricted Subsidiaries pursuant to the Guarantee Facility Agreement.

"**Guarantee Facility Agreement**" means the super senior guarantee facilities agreement dated November 17, 2020 made by and among, *inter alios*, Sofima Holding S.p.A., the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, UniCredit S.p.A., as original fronting issuing bank and agent, Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as security agent, and each lender from time to time party thereto, together with the related documents thereto (including any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, that provides for bank guarantees issued in respect of projects, transactions or other contractual obligations entered into in the ordinary course of business of the Issuer and/or any of the Restricted Subsidiaries (where, for the avoidance of doubt, any such instruments may be drawn under the Guarantee Facility directly in favor of beneficiaries or indirectly in favor of beneficiaries (by way of "back-to-back" or equivalent arrangements)) *provided that* each such bank guarantee covers liabilities in relation to advance payments, performance of contracts, leases, warranties, sureties, bidding processes or other obligations in ordinary course of business, in each case where the instrument itself or the underlying obligation to which it relates does not constitute Indebtedness (including payment obligations in relation to an acquisition, investments, capital expenditures, or to counter-indemnify any local facility provided by a branch or affiliate of a lender under the Guarantee Facility or any other person to the Issuer and/or any of the Restricted Subsidiaries *provided that* such local facility is used solely by the Issuer and/or any the Restricted Subsidiaries to issue bank guarantees as permitted to be issued pursuant to the terms of the Guarantee Facility Agreement).

"**Guarantor**" means any Restricted Subsidiary that provides a Notes Guarantee, until such Notes Guarantee is released in accordance with the terms of the Indenture.

"**Hedging Obligations**" means, with respect to any person, the obligations of such person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

"**HoldCo PIK Facility**" means the payment-in-kind notes issued by SOFIMA.

"**Holder**" means each person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"**Holding Company**" means, in relation to a company, corporation or any other entity, any other company, corporation or entity in respect of which it is a Subsidiary.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or any of the Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under "*—Certain Covenants—Reports*," as in effect from time to time. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS (or, as applicable, GAAP) contained in the

Indenture shall be computed in accordance with IFRS as in effect on the Issue Date (or, as applicable, GAAP as in effect at the date specified by the Issuer in its election to adopt GAAP in accordance with this paragraph). At any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS (or, as applicable, GAAP) in effect on or prior to the date of such election. At any time after the Issue Date, the Issuer may elect to apply GAAP accounting principles in lieu of IFRS and, upon any such election, references herein to IFRS shall thereafter be construed to mean GAAP (except as otherwise provided in the Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; provided further that any calculation or determination in the Indenture that requires the application of IFRS for periods that include fiscal quarters ended prior to the Issuer's election to apply GAAP shall remain as previously calculated or determined in accordance with IFRS; *provided that* the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer. The Issuer shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

"**Immaterial Subsidiary**" means, at any date of determination, each Restricted Subsidiary that (i) has not Guaranteed any other Indebtedness of the Issuer and (ii) has LTM EBITDA of less than 5.0% of LTM EBITDA of the Issuer and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the Relevant Testing Period and revenues on a pro forma basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such Relevant Testing Period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

"**Immediate Family Members**" means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"**Incur**" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided that* any Indebtedness or Capital Stock of a person existing at the time such person becomes a Restricted Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit, bridge or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder, subject to the definition of Reserved Indebtedness Amount and related provisions.

"**Indebtedness**" means, with respect to any person on any date of determination (without duplication):

(1) the principal of indebtedness of such person for borrowed money;

(2) the principal of obligations of such person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligation, including accrued expenses owed, to a trade creditor), which purchase price is due more than one (1) year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such person;

(6) the principal component of all obligations, or liquidation preference, of such person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other persons secured by a Lien on any asset of such person, whether or not such Indebtedness is assumed by such person; *provided that* the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other persons;

(8) Guarantees by such person of the principal component of Indebtedness of the type referred to in clauses (1), (2), (3), (4), (5) and (9) of this definition of other persons to the extent Guaranteed by such person; and

(9) to the extent not otherwise included in this definition, net obligations of such person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such person at the termination of such agreement or arrangement),

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such person prepared in accordance with IFRS; *provided that* Indebtedness of any Parent Entity appearing upon the balance sheet of the Issuer prepared on the basis of IFRS shall be excluded.

The amount of Indebtedness of any person at any time under any revolving credit facility or other Credit Facility available to be redrawn (including the Revolving Facility and the Guarantee Facility) shall be the total amount of cash funds borrowed and then outstanding. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) Cash Management Services;

(iii) any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business or any other permitted acquisition, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided that*, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Securitization Financings;

(viii) Indebtedness of any Parent Entity appearing on the balance sheet of the Issuer solely by reason of push down accounting under IFRS;

(ix) Capital Stock (other than Disqualified Stock of the Issuer and Preferred Stock of a Restricted Subsidiary);

(x) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*—Certain Covenants—Merger and Consolidation*";

(xi) Subordinated Shareholder Funding;

(xii) indebtedness of the Issuer or any of the Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring;

(xiii) any joint and several liability or any netting or set-off arrangements arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements or any analogous arrangement.

(xiv) any indebtedness or obligation under any transaction documents (other than money borrowed) for any acquisition or Investment not prohibited by the Indenture, Investments or acquisition or any deferred consideration or compensation or other similar arrangements in connection with any such Investment or acquisition;

(xv) non-interest bearing installment obligations Incurred in the ordinary course of business that are not more than 120 days past due and any accrued expenses and trade payables;

(xvi) (A) guarantees, letters of credit (to the extent not drawn or satisfied within 60 days of such drawing) or similar instruments in respect of any leases or provided to suppliers in the ordinary course of business (or provided to credit insurers relating to ordinary course of business payables of the Issuer and the Restricted Subsidiaries) or (B) other Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and, if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit or bond; and

(xvii) Indebtedness Incurred by the Issuer or any Restricted Subsidiary in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least "A" or the equivalent thereof by S&P and "A-2" or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided that* such firm or appraiser is not an Affiliate of the Issuer.

"**Initial Investors**" means (a) individually or collectively, one or more investment funds, co-investment vehicles, limited partnerships, other similar vehicles or accounts and/or other entities in each case advised or managed by the Sponsor and, in each case, any of their successors, Affiliates or direct or indirect Subsidiaries (but excluding, in each case, any portfolio company which is an obligor (and any of its Subsidiaries) in respect of any third party financing provided to that portfolio company (or any of its Subsidiaries) in which such investment funds, limited partnerships and other entities advised or managed by the Sponsor or such Affiliates, Subsidiaries or investors hold an investment or interest in) and (b) (i) any of the ultimate beneficial owners of Alps Holding S.p.A. (other than the Sponsor) as of the date of the Issue Date, (ii) any of their respective spouses, family members or relatives, (iii) any of the heirs, executors or successors of the foregoing, or (iv) any vehicles or trusts controlled by or for the benefit of any of the foregoing.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of a member of the Group, an IPO Pushdown Entity or any Parent Entity or any successor of such member of the

Group, IPO Pushdown Entity or any Parent Entity (the "**IPO Entity**") following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the Intercreditor Agreement dated November 17, 2020, by and among, *inter alios*, the Issuer, BNY Mellon Corporate Trustee Services Limited, as trustee under the Existing Notes Indenture, Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as security agent under the Existing Notes Indenture, and to which the Trustee will accede on or about the Issue Date, as amended from time to time.

"**Investment**" means, with respect to any person, all investments by such person in other persons (including Affiliates) in the form of advances, loans or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided that* endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a person that is a Restricted Subsidiary such that, after giving effect thereto, such person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*" and "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*":

(1) "**Investment**" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided that* upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such re-designation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment, sale or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States of America or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully Guaranteed or insured by the European Union or a member of the European Union, Australia, Japan, Norway, Switzerland or the United Kingdom or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) Investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2), and (3) above which are collateralized at par or over.

"**Investment Grade Status**" shall occur when the Notes receive two of the following:

(1) a rating of "BBB-" or higher from S&P;

(2) a rating of "Baa3" or higher from Moody's; or

(3) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by such rating organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means April 18, 2024.

"**Italian Golden Power Authority**" means the Presidency of the Italian Council of Ministries.

"**Italian Golden Power Clearance**" means the obtaining of the clearances, approvals and consents required to be obtained under the applicable Italian Golden Power Legislation, including any statement from the Italian Golden Power Authority that it lacks or declines jurisdiction or a decision confirming that the request is not subject to filing pursuant to the Italian Golden Power Legislation or the expiration of the applicable review period (or any extension thereof), as applicable, without any decision, communication or act by the Italian Golden Power Authority, to the extent that such inaction has the same effect as an explicit clearance, approval or consent.

"**Italian Golden Power Legislation**" means the Italian Law Decree (*decreto legge*) No. 21 of March 15, 2012, as converted into law and amended by Italian Law No. 56 of May 11, 2012; the Italian Law Decree (*decreto legge*) No. 105 of September 21, 2019, as converted into law and amended by Italian Law No. 133 of November 18, 2019; the Italian Law Decree (*decreto legge*) No. 23 of April 8, 2020, as converted into law and amended by Italian Law No. 40 of June 5, 2020; the Italian Law Decree No. 21 of March 21, 2022, as converted into law and amended by Italian Law No. 51 of May 20, 2022; and (v) the Italian Law Decree (*decreto legge*) No. 104 of August 10, 2023, as converted into law and amended by Italian Law No. 136 of October 9, 2023, each as subsequently amended and supplemented, and including the relevant implementing decrees adopted from time to time.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided that* in no event shall any lease be deemed to constitute a Lien.

"**local line of credit**" or "local working capital facility" means a debt facility borrowed by the Issuer or a Restricted Subsidiary that may be Guaranteed by the Issuer and any Restricted Subsidiaries and may benefit from any Permitted Liens or Permitted Collateral Liens on any assets of the borrower and guarantors thereunder as permitted by the Indenture, the proceeds of which are intended to be used in any jurisdiction where any member of the Group is located, present or otherwise has assets or operations.

"**Long Derivative Instrument**" means a Derivative Instrument (i) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with positive changes to the Performance References and/or (ii) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with negative changes to the Performance References.

"**LTM EBITDA**" means Consolidated EBITDA of the Issuer measured for the Relevant Testing Period ending prior to the date of such determination, in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio," *provided that* in the event any Indebtedness, loan, Investment, disposal, guarantee, payment or other transaction is committed, Incurred or made by any member of the Group based on the amount of LTM EBITDA on the relevant date of determination, that Indebtedness, loan, Investment, disposal, guarantee, payment or other transaction shall not constitute, or be deemed to constitute, or result in, a breach of any provision of the Indenture or any other Notes Document if there is a subsequent change in the amount of LTM EBITDA.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Issuer or any Restricted Subsidiary, or to any management equity plan, stock option plan, any other management or employee benefit, bonus or incentive plan or any trust, partnership or other entity of, established for the benefit of, or the beneficial owner of which (directly or indirectly) is, any of the foregoing:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase (or the purchase by any management equity plan) of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent Entity with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office;

(3) in respect of additional loans to employees, an amount not exceeding the greater of (i) €22 million and (ii) 5.0% of LTM EBITDA in the aggregate outstanding at the time of Incurrence; or

(4) an amount not exceeding the greater of (i) €33 million and (ii) 7.5% of LTM EBITDA in the aggregate outstanding at the time of Incurrence.

"**Management Stockholders**" means (x) the current or former officers, directors, employees and other members of the management of, or consultants to, any Parent Entity, the Issuer or (y) any of their respective Subsidiaries or spouses, family members or relatives thereof, or any of the foregoing, or any of their heirs, executors, successors and legal representatives (collectively referred to as "Related Persons"), who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent Entity or participate in an employee arrangement that tracks equity value and is designed to distribute amounts based on a sale, share repurchase, dividend or other shareholder exit event.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of

Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under IFRS (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition, including distributions for Related Taxes;

(2) all payments made on any Indebtedness which (i) is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or (ii) must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of the respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction; and

(5) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any Tax Sharing Agreements, and including distributions for Related Taxes).

"**Net Short**" means, with respect to a Holder or beneficial owner of any Notes, as of a date of determination, either (i) the value of its Short Derivative Instruments exceeds the sum of (x) the value of its Notes plus (y) the value of its Long Derivative Instruments as of such date of determination or (ii) it is reasonably expected that such would have been the case were a Failure to Pay or Bankruptcy Credit Event (each as defined in the 2014 ISDA Credit Derivatives Definitions) to have occurred with respect to the Issuer or any Guarantor immediately prior to such date of determination. Notwithstanding the foregoing, no Holder or beneficial owner of the Notes that is a licensed bank shall be deemed to be "Net Short" or to hold a "Net Short" position.

"**Non-Core Assets**" means any assets of the Issuer or any Restricted Subsidiary and designated in good faith as "non-core" to the material business activities of the Issuer and the Restricted Subsidiaries (taken as a whole) pursuant to a notice from the Issuer to the Trustee.

"**Notes Documents**" means the Notes (including Additional Notes), the Indenture (including the Notes Guarantees), any supplemental indentures to the Indenture, the Transaction Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements and any other document designated as a "Notes Document" by the Issuer and the Trustee.

"**Notes Guarantee**" means a guarantee of the Notes pursuant to the Indenture.

"**Obligations**" means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"**Offering Memorandum**" mean this offering memorandum relating to the offering of Notes.

"**Officer**" means, with respect to any person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such person or (b) if such person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such person.

"**Officer's Certificate**" means, with respect to any person, a certificate signed by one Officer of such person.

"**Opinion of Counsel**" means a written opinion from legal counsel that is reasonably satisfactory to the Trustee (which may be subject to customary assumptions, qualifications and exclusions). The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"**Parent Entity**" means any direct or indirect parent of the Issuer.

"**Parent Entity Expenses**" means:

(1) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to the Notes, the Guarantees or any other Indebtedness of the Issuer or any Restricted Subsidiary (including the Revolving Facility and the Guarantee Facility), including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and the Subsidiaries;

(4) any (i) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses, (ii) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries, (iii) costs and expenses with respect to the ownership, directly or indirectly, by any Parent Entity, (iv) costs and expenses with respect to the maintenance of any equity incentive or compensation plan, (v) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (vi) costs and expenses to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent Entity;

(5) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Subordinated Shareholder Funding, Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity;

(6) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" if made by the Issuer or a Restricted Subsidiary; *provided that* (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of the Restricted Subsidiaries or (2) the merger, consolidation or amalgamation of the person formed or acquired into the Issuer or one of the Restricted Subsidiaries in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration

or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture and such consideration or other payment is included as a Restricted Payment under the Indenture, (D) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*" or be an Excluded Contribution and (E) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to a provision of the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*" or pursuant to the definition of "**Permitted Investments**"; and

(7) any other costs or expenses of any Parent Entity up to the greater of (x) €22 million and (y) 5.0% of LTM EBITDA per calendar year (with unused amounts in any fiscal year being carried forward to the next succeeding fiscal year and amounts that will not be used in the subsequent fiscal year being carried back to the immediately preceding fiscal year).

"**Pari Passu Indebtedness**" means Indebtedness (a) of the Issuer which ranks equally in right of payment to the Notes or (b) of any Guarantor which ranks equally in right of payment to the Notes Guarantee of such Guarantor.

"**Paying Agent**" means any person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Issuer or any of the Restricted Subsidiaries and another person; *provided that* any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"**Permitted Change of Control**" means any Change of Control that does not constitute a Change of Control Triggering Event.

"**Permitted Collateral Liens**" means Liens on the Charged Property:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (14), (15), (16), (17), (18), (24), (26), (27), (28), (32), (34), (36), (37), (41), (42), (43), (44) and (45) of the definition of "Permitted Liens" and Liens arising by operation of law that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Charged Property;

(b) to secure all obligations (including paid-in-kind interest) in respect of:

(i) the Notes (other than Additional Notes), including any Notes Guarantee;

(ii) Indebtedness described under clause (1)(a) and (6) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" *provided that* such Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Charged Property and certain distressed disposals of assets, in each case to the extent Incurred in compliance with the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(iii) Indebtedness described under the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*," *provided that* (x) if such Indebtedness constitutes Senior Secured Indebtedness, after giving pro forma effect thereto, the Consolidated Senior Secured Net Leverage Ratio of the Issuer and the Restricted Subsidiaries does not exceed 4.10 to 1.00 or (y) if such Indebtedness constitutes Junior Secured Indebtedness, either (A) the Consolidated Total Secured Net Leverage Ratio does not exceed 4.35 to 1.00 or (B) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is at least 2.00 to 1.00;

(iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*," to the extent that such guarantee is in respect of Indebtedness otherwise permitted to be secured by a Permitted Collateral Lien;

(v) Indebtedness described under clauses (1)(b), (1)(c), (4)(e), (5), (7) (other than with respect to Capitalized Lease Obligations), (10), (13), (20) or (21) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; or

(vi) any Refinancing Indebtedness in respect of Indebtedness referred to in sub-clauses (i) to (v) above to the extent the Indebtedness being refinanced was so secured; or

(c) Incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries with respect to obligations that in total do not exceed the greater of (i) €22 million and (ii) 5.0% of LTM EBITDA at any time outstanding and that (x) are not Incurred in connection with the borrowing of money and (y) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business,

provided, that, in the case of clause (b) of this definition, each of the secured parties to any such Indebtedness that exceeds an aggregate amount equal to the greater of (x) €129 million and (y) 30.0% of LTM EBITDA and is outstanding for more than 150 days (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and provided further that for purposes of determining compliance with this definition, in the event that a Permitted Collateral Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in clauses (a) through (c) above, the Issuer will be permitted to classify such Permitted Collateral Lien on the date of its Incurrence and reclassify such Permitted Collateral Lien at any time and in any manner that complies with this definition and provided further that Permitted Collateral Liens may not have super senior priority status in respect of the proceeds from the enforcement of the Charged Property or a distressed disposal of assets, other than as permitted by sub-clause (b)(ii) above, save that nothing in this definition shall prevent lenders under any Credit Facilities from providing for any ordering of payments under the various tranches of such Credit Facilities.

"**Permitted Holders**" means, collectively, (i) the Initial Investors, (ii) any one or more persons, together with such persons' Affiliates, whose beneficial ownership constitutes or results in (a) a Permitted Change of Control or (b) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (iii) the Management Stockholders, (iv) any person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity, and (v) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided that*, in the case of such group and without giving effect to the existence of such group or any other group, persons referred to in sub-clauses (i) through (iv) of this definition, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any Parent Entity held by such group.

"**Permitted Investment**" means (in each case, by the Issuer or any of the Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a person (including the Capital Stock of any such person) that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another person and as a result of such Investment such other person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition;

(9) Investments existing or pursuant to agreements or arrangements in effect on the Issue Date and any modification, replacement, renewal or extension thereof; *provided that* the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (7), (8), (9), (12) and (14) of that paragraph);

(14) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business or consistent with past practices, and in accordance with the Indenture;

(15) any (a) Guarantees of Indebtedness not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (b) performance guarantees with respect to obligations that are not prohibited by the Indenture;

(16) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;

(17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Issuer or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other persons;

(19) contributions to a "rabbi" trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Issuer;

(20) Investments in Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of (a) €108 million and (b) 25.0% of LTM EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to

subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided that* if any Investment pursuant to this clause is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant to this clause for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(21) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at that time outstanding, not to exceed the greater of (a) €129 million and (b) 30.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided that* if any Investment pursuant to this clause is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(22) any Investment in joint ventures and similar entities and in Similar Businesses having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (22) that are at that time outstanding, not to exceed the greater of (a) €108 million and (b) 25.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided that* if any Investment pursuant to this clause (22) is made in any person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of this definition and shall cease to have been made pursuant to this clause (22) for so long as such person continues to be the Issuer or a Restricted Subsidiary;

(23) Investments (a) arising in connection with a Qualified Securitization Financing or Receivables Facility and (b) constituting distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility;

(24) Investments in connection with the Transactions;

(25) Investments (including repurchases) in Indebtedness of the Issuer and the Restricted Subsidiaries;

(26) Investments by an Unrestricted Subsidiary in a person that is not the Issuer or a Restricted Subsidiary entered into prior to the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*" so long as such Investments were not entered into in contemplation of or in connection with such redesignation;

(27) guaranty and indemnification obligations arising in connection with surety bonds issued in the ordinary course of business or consistent with past practice;

(28) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice or made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts and loans or advances made to distributors in the ordinary course of business or consistent with past practice;

(29) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;

(30) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection of deposit and Article 4 customary trade arrangements with customers consistent with past practices;

(31) transactions entered into in order to consummate a Permitted Tax Restructuring;

(32) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in customers in respect of any such purchases and acquisitions, in any case, in the ordinary course of business or consistent with past practice and otherwise in accordance with the Indenture; and

(33) Investments made with, or received from or in exchange for, (i) the licensing or use of intangible assets, *provided that* the Issuer and the Restricted Subsidiaries maintain the ownership of such intangible assets without the need to pay consideration to use such assets or (ii) the provision of management, advisory, sales, marketing and/or other similar services.

"**Permitted Liens**" means, with respect to any person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, old-age-part-time arrangements, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements) or pension related liabilities and obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment, customs, appeal or performance bonds, guarantees of government contracts, return-of-money bonds, bankers' acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business; or consistent with past practice;

(3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's, construction contractors' or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or governmental charges which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings; *provided that* appropriate reserves required pursuant to IFRS (or other applicable accounting principles) have been made in respect thereof;

(5) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens

incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(6) Liens (a) on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations or Cash Management Services permitted under the Indenture; (b) that are statutory, common law or contractual rights of set-off (including, for the avoidance of doubt, Liens arising under the general terms and conditions of banks or saving banks or, in the case of sub-clause (i) or (ii) below, other bankers' Liens (i) relating to treasury, depository and Cash Management Services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer or any Subsidiary of the Issuer or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business); (c) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clauses (8)(d) or (8)(e) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" with financial institutions; (d) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts Incurred in the ordinary course of business, consistent with past practice and not for speculative purposes; (e) of a collection bank arising under Section 4-210 of the UCC on items in the course of collection; (f) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off) arising in the ordinary course of business in connection with the maintenance of such accounts; and/or (g) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as (a) any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated, (b) the period within which such proceedings may be initiated has not expired or (c) no more than 60 days have passed after (i) such judgment, decree, order or award has become final or (ii) such period within which such proceedings may be initiated has expired;

(9) Liens (i) on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or consistent with past practice, *provided that* (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Liens may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property; (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease; and (iii) in respect of any Sale and Leaseback Transaction;

(10) Liens perfected or evidenced by UCC financing statement filings, including precautionary UCC financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(11) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date (other than Liens securing the Notes);

(12) Liens on property, other assets or shares of stock of a person at the time such person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other

assets or shares of stock, including any acquisition by means of a merger, amalgamation, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided that* such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(13) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other Obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(14) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided that* any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(15) Liens constituting (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third-party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(16) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(17) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third-party relating to such property or assets;

(18) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(19) Liens securing Indebtedness and other Obligations under clauses (4)(a), (4)(c), (10), (20) and (21) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(20) Permitted Collateral Liens;

(21) Liens (a) on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary, (b) then existing with respect to assets of an Unrestricted Subsidiary on the day such Unrestricted Subsidiary is re-designated as a Restricted Subsidiary as described under "—Ce*rtain Covenants—Designation of Restricted and Unrestricted Subsidiaries*" so long as such Liens were not made in contemplation of or in connection with such redesignation and so long as the Indebtedness or other Obligations secured by such Liens are not prohibited under the Indenture and (c) in respect of any credit support in favour of any provider of credit insurance relating to the Issuer and/or any Subsidiary;

(22) any security granted over the marketable securities portfolio described in clause (12) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third-party;

(23) Liens on (a) goods the purchase price of which is financed by a documentary letter of credit issued for the account of the Issuer or any Restricted Subsidiary or Liens on bills of lading, drafts or other documents of title arising by operation of law or pursuant to the standard terms of agreements relating to letters of credit, bank guarantees and other similar instruments and (b) specific items of inventory of other goods and proceeds of any person securing such person's obligations in respect of bankers' acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods;

(24) Liens on equipment of the Issuer or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;

(25) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture;

(26) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;

(27) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Indenture;

(28) Liens (a) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (b) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;

(29) Liens securing Indebtedness and other Obligations in an aggregate principal amount not to exceed the greater of (a) €215 million and (b) 50.0% of LTM EBITDA at the time Incurred;

(30) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" *provided that* such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

(31) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility or factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings or similar arrangements;

(32) Settlement Liens;

(33) rights of recapture of unused real property in favor of the seller of such property set forth in customary purchase agreements and related arrangements with any government, statutory or regulatory authority;

(34) the rights reserved to or vested in any person or government, statutory or regulatory authority by the terms of any lease, license, franchise, grant or permit held by the Issuer or any Restricted Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(35) restrictive covenants affecting the use to which real property may be put;

(36) Liens or covenants restricting or prohibiting access to or from lands abutting on controlled access highways or covenants affecting the use to which lands may be put; *provided that* such Liens or covenants do not interfere with the ordinary conduct of the business of the Issuer or any Restricted Subsidiary;

(37) Liens arising in connection with any Permitted Tax Restructuring;

(38) Liens required to be granted under mandatory law in favor of creditors as a consequence of a merger or conversion permitted under the Indenture due to §§ 22, 204 German Transformation Act (*Umwandlungsgesetz—UmwG*);

(39) Liens for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement, including in each case any interest or premium thereon;

(40) Liens arising in connection with any joint and several liability and any netting or set-off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity for

corporate income tax, trade tax, value added tax or other taxes or similar purposes, profit and loss pooling, cash pooling, tax sharing or other similar arrangements or any analogous arrangement;

(41) standard terms relating to banker's Liens or similar general terms and conditions of banks with whom the Issuer or a Restricted Subsidiary maintains a banking relationship in the ordinary course of business or consistent with past practice, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(42) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or Liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(43) (i) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Notes Guarantees, (ii) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (iii) Liens securing Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit that such Lien not be granted to secure the Notes or the Notes Guarantees and (iv) Liens on rights under any proceeds loan that are assigned to the third party creditors of the Indebtedness Incurred by the Issuer or any Restricted Subsidiary to finance such proceeds loan and Incurred in compliance with the Indenture and securing that Indebtedness;

(44) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities or any liabilities arising in connection with any pension insurance plan;

(45) any extension, renewal or replacement, in whole or in part, of any Lien described in this definition of Permitted Lien, *provided that* any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets; and

(46) any Lien not securing Indebtedness.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"**Permitted Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of the Restricted Subsidiaries (a "**Reorganization**") that is made on a solvent basis; *provided that*:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(b) if any shares or other assets form part of the Charged Property, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Charged Property, and

provided further that no Permitted Reorganization may override the provisions of the covenant described under "*—Certain Covenants—Merger and Consolidation*."

"**Permitted Tax Distribution**" means:

(a) if and for so long as the Issuer is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) or a group filing a consolidated or combined tax return with any Parent Entity, any dividends, intercompany loans, other intercompany balances or other distributions to fund any income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; and

(b) for any taxable year (or portion thereof) ending after the Issue Date for which the Issuer is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Issuer's direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Issuer and its direct and indirect Subsidiaries,

in an aggregate amount not the exceed the product of (x) the highest combined marginal federal and applicable state, provincial, territorial, and/or local statutory income Tax rate (after taking into account the deductibility of U.S. state and local income Tax for U.S. federal income Tax purposes) and (y) the taxable income of the Issuer for such taxable year (or portion thereof).

"**Permitted Tax Restructuring**" means any reorganizations and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the Holders (as determined by the Issuer in good faith).

"**person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Post-Petition Interest**" means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

"**Preferred Stock**," as applied to the Capital Stock of any person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such person, over shares of Capital Stock of any other class of such person.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any person owning such property or assets, or otherwise.

"**Qualified Securitization Financing**" means any Securitization Facility that meets the following conditions: (i) the Board of Directors shall have determined in good faith that such Qualified Securitization Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Restricted Subsidiaries, (ii) all sales of Securitization Assets and related assets by the Issuer or any Restricted Subsidiary to the Securitization Subsidiary or any other person are made for fair consideration (as determined in good faith by the Issuer) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

"**rating agencies**" means S&P, Moody's and Fitch or if no rating of S&P, Moody's or Fitch is publicly available, as the case may be, the equivalent of such rating selected by the Issuer by any other Nationally Recognized Statistical Ratings Organization.

"**Receivables Assets**" means (a) any accounts receivable owed to the Issuer or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof and (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement and which are sold, conveyed, assigned or otherwise transferred or pledged by the Issuer or such Restricted Subsidiary (as applicable) in a transaction or series of transactions in connection with a Receivables Facility.

"**Receivables Facility**" means an arrangement between the Issuer or a Restricted Subsidiary and a counterparty pursuant to which (a) the Issuer or such Restricted Subsidiary, as applicable, sells (directly or indirectly) accounts receivable owing by customers, together with Receivables Assets related thereto, (b) the obligations of the Issuer or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Issuer and such Restricted Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

"**Refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided that*:

(1) such Refinancing Indebtedness:

    (i) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and

    (ii) to the extent refinancing Subordinated Indebtedness, Disqualified Stock or Preferred Stock, is Subordinated Indebtedness, Disqualified Stock or Preferred Stock, respectively, and, in the case of Subordinated Indebtedness, is subordinated to the Notes or the Notes Guarantees (as applicable) on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(2) Refinancing Indebtedness shall not include:

    (i) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Guarantor; or

    (ii) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

(3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including premiums, accrued and unpaid interest and defeasance costs) under the Indebtedness being Refinanced; and

(4) Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment advisor as the first fund or, if it is managed by a different investment manager or investment advisor, a fund whose investment manager or investment advisor is an Affiliate of the investment manager or investment advisor of the first fund.

"**Related Taxes**" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes and other fees and expenses (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided that* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries) or otherwise maintain its existence or good standing under applicable law;

(b) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiaries of the Issuer;

(c) issuing or holding Subordinated Shareholder Funding;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiaries of the Issuer; or

(e) having made (i) any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Limitation on Restricted Payments*" or (ii) any Permitted Tax Distribution.

"**Relevant Testing Period**" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on LTM EBITDA, Fixed Charge Coverage Ratio, Consolidated Senior Secured Net Leverage Ratio, Consolidated Total Secured Net Leverage Ratio and/or Consolidated Total Net Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to the Indenture, or, at the option of the Issuer, the most recently completed twelve consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"**Reserved Indebtedness Amount**" has the meaning set forth in the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Revolving Facility**" means the super senior revolving facilities made available under the Revolving Facility Agreement.

"**Revolving Facility Agreement**" means the super senior revolving facilities agreement, dated on or about November 17, 2020 made by and among, *inter alios*, the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, Kroll Trustee Services Limited (f/k/a Lucid Trustee Services Limited), as security agent, and each lender from time to time party thereto, together with the related documents thereto (including the revolving loans thereunder, any letters of credit and reimbursement obligations related thereto, any Guarantees and security documents), as amended and supplemented by that certain additional facility notice(s) dated on or about the Issue Date establishing an additional facility of €25.0 million (the “**Revolving Facility Upsize**”), as further amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Sale and Leaseback Transaction**" means any arrangement providing for the leasing by the Issuer or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third person in contemplation of such leasing.

"**Screened Affiliate**" means any Affiliate of a Holder or, if the Holder is a Relevant Clearing System or its nominee, of a beneficial owner, (i) that makes investment decisions independently from such Holder or beneficial owner and any other Affiliate of such Holder that is not a Screened Affiliate, (ii) that has in place customary information screens between it and such Holder or beneficial owner and any other Affiliate of such Holder or beneficial owner that is not a Screened Affiliate and such screens prohibit the sharing of information with respect to the Issuer or its Subsidiaries, (iii) whose investment policies are not directed by such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holder in connection with its investment in the Notes, and (iv) whose investment decisions are not influenced by the investment decisions of such Holder or beneficial owner or any other Affiliate of such Holder or beneficial owner that is acting in concert with such Holders or beneficial owners in connection with its investment in the Notes.

"**SEC**" means the Securities and Exchange Commission or any successor thereto.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Securitization Asset**" means (a) any accounts receivable, mortgage receivables, loan receivables, royalty, patent or other revenue streams and other rights to payment or related assets and the proceeds thereof and (b) all collateral securing such receivable or asset, all contracts and contract rights, guarantees or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted) together with accounts or assets in connection with a securitization, factoring or receivable sale transaction.

"**Securitization Facility**" means any of one or more securitization, financing, factoring or sales transactions, as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Issuer or any of the Restricted Subsidiaries sells, transfers, pledges or otherwise conveys any Securitization Assets (whether now existing or arising in the future) to a Securitization Subsidiary or any other person.

"**Securitization Fees**" means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or participation interest therein issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or Receivables Facility.

"**Securitization Repurchase Obligation**" means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets or Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Securitization Subsidiary**" means any Subsidiary of the Issuer in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings and other activities reasonably related thereto or another person formed for this purpose.

"**Security**" means a mortgage, charge, pledge, lien, security assignment, security transfer of title or other security interest having a similar effect.

"**Security Interests**" means the security interests in the Charged Property that are created by the Transaction Security Documents.

"**Senior Secured Indebtedness**" means Indebtedness included in the definition of "Consolidated Total Indebtedness" that is governed by the Intercreditor Agreement and constitutes Senior Secured Liabilities (as defined in the Intercreditor Agreement).

"**Settlement**" means the transfer of cash or other property with respect to any credit or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer, or charge transaction for which a person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

"**Settlement Asset**" means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person or an Affiliate of such person.

"**Settlement Indebtedness**" means any payment or reimbursement obligation in respect of a Settlement Payment.

"**Settlement Lien**" means any Lien relating to any Settlement or Settlement Indebtedness (and may include, for the avoidance of doubt, the grant of a Lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, Liens securing intraday and overnight overdraft and automated clearing house exposure, and similar Liens).

"**Settlement Payment**" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

"**Settlement Receivable**" means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person.

"**Short Derivative Instrument**" means a Derivative Instrument (i) the value of which generally decreases, and/or the payment or delivery obligations under which generally increase, with positive changes to the Performance References and/or (ii) the value of which generally increases, and/or the payment or delivery obligations under which generally decrease, with negative changes to the Performance References.

"**Significant Subsidiary**" means any Restricted Subsidiary or group of Restricted Subsidiaries (taken together) that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date and whose proportionate share of Consolidated EBITDA exceeds 10% of the LTM EBITDA of the Issuer and the Restricted Subsidiaries taken as a whole, in each case, measured at the end of the Relevant Testing Period on a pro forma basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such Relevant Testing Period, as applicable, and on or prior to the date of acquisition of such Subsidiary.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Existing Notes Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Sofima PIK**" means Sofima PIK S.p.A., a joint stock company (*società per azioni*) incorporated in Italy.

"**SOFIMA**" means So.Fi.M.A. Società Finanziaria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated in Italy.

"**Sponsor**" means one or more funds, limited partnerships and other entities managed by or otherwise advised by BDT Capital Partners, LLC and any of their Affiliates or Related Funds.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, guarantees and indemnities entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Securitization Facility, including those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

"**Stated Maturity**" means, with respect to any Indebtedness, the date specified in the instrument governing such Indebtedness as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which ranks junior in right of payment or security to the Notes or the Notes Guarantees pursuant to a written agreement.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided that* such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six (6) months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the date that is six (6) months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six (6) months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries;

(5) constitutes "Subordinated Liabilities" pursuant to the Intercreditor Agreement or, pursuant to its terms or to an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes and any Notes Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Subordinated Liabilities" (as defined therein);

(6) is not Guaranteed by any Subsidiary of the Issuer;

(7) contains restrictions on transfer to a person who is not a Parent Entity, any Affiliate of any Parent Entity, any holder of Capital Stock of a Parent Entity or any Affiliate of a Parent Entity or any Permitted Holder or any Affiliate thereof; *provided that* any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interests of the Holders; and

(8) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or any Notes Guarantee thereof or compliance by the Issuer or any Guarantor with its obligations under the Notes, any Notes Guarantee thereof or the Indenture.

"**Subsidiary**" means, with respect to any person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of

Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such person or any Subsidiary of such person is a controlling general partner or otherwise controls such entity.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority and "Tax" shall be construed accordingly.

"**Tax Sharing Agreement**" means any tax sharing or profit and loss pooling or similar agreement, with customary or arm's-length terms or consistent with past practice, entered into with any Parent Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent Entity in order to satisfy the obligations arising under any such tax sharing agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent Entity to enable a Parent Entity to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent Entity under any profit and loss pooling agreement).

"**Temporary Cash Investments**" means any of the following:

(1) any Investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Australia, Brazil, Japan, Norway or Switzerland, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Facility Agreement or the Guarantee Facility Agreement; or

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a person (other than the Issuer or any of the Restricted Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one (1) year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Australia, Brazil, Canada, Japan, Norway, Switzerland, the United Kingdom or any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America, Australia, Brazil, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250.0 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) Investment funds investing 90% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

“**Topco**” means the direct parent entity of the Issuer (as of the Issue Date, Sofima).

"**Transaction Documents**" means the Equity Documents and the Notes Documents.

"**Transaction Expenses**" means any fees or expenses Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs and expenses associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"**Transaction Security**" means the Security created or expressed to be created in favor of the Security Agent, the Trustee or any Holder of the Notes (represented by the Security Agent, as the case may be) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means any document entered into the Issuer, any Guarantor or other third-party security grantor creating or expressed to create Security over all or any part of its assets in respect of the obligations of the Issuer or any Guarantor under the Indenture or the Notes.

"**Transactions**" means collectively: (i) the issuance and offering of the Notes; (ii) the Revolving Facility Upsize; and (iii) the use of proceeds of the Notes, including: (a)(1) the full repayment and cancellation of the Existing Shareholder’s Loans and (2) the funding of a dividend to our direct sole shareholder, Sofima PIK, in order for Sofima PIK to repay and cancel all outstanding principal amounts under the HoldCo PIK Facility, plus accrued interest and costs and fees associated with redemption costs; (b) the financing or refinancing, as applicable, of certain indebtedness and costs incurred in connection with our M&A activity in 2024; and (iii) the payment of fees and expenses relating to the Offering.

"**Trust Indenture Act**" means the Trust Indenture Act of 1939, as amended.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided that* at any time, if by reason of mandatory provisions of law, any or all of the creation, perfection or priority of a collateral agent's security interest in any item or portion of the Charged Property is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such creation, perfection or priority and for purposes of definitions relating to such provisions.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary,

provided that the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if such designation and the Investment, if any, of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

"**U.S. Bankruptcy Code**" means Title 11 of the United States Code, as amended.

"**Voting Stock**" of a person means all classes of Capital Stock of such person then outstanding and normally entitled to vote in the election of directors.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

(2) the sum of all such payments.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold within the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

The Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

Except as set forth below, each series of the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantor, the Initial Purchasers, the Trustee, the Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent or the relevant Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the order of the Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes—Additional Amounts". If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes—Additional Amounts", the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Guarantor, the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Guarantor nor the Trustee, the Security Agent, the Registrar, the Transfer Agent, the Paying Agent, the Calculation Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant;

- Euroclear and/or Clearstream, as applicable, or any participant or indirect participant; or

- the records of the Common Depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants as is now the case with securities held for the accounts registered in "street name".

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer, the Guarantor nor the Trustee nor the Initial Purchasers, the Trustee, the Security Agent, the Registrar, the Transfer Agent, the Paying Agent, the Calculation Agent nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them. See "Risk Factors—Unfavorable fluctuations in foreign currency exchange rates may adversely affect our business, financial condition and results of operations".

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "Transfer Restrictions".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "Transfer Restrictions".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Security Agent, the Paying Agent, the Transfer Agent, the Calculation Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;

- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "Transfer Restrictions", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Security Agent, the Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time on the register maintained by the Registrar, and such registration is a means of evidencing title to the Notes.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer, the Registrar and/or the Trustee may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "Transfer Restrictions".

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same Business Day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next Business Day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "Listing and General Information".

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, the Trustee, the Security Agent, the Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Trustee requests any action by owners of

Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974 ("**ERISA**") imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts) (together with ERISA Plans, ("**Plans**")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans (as defined in Section 4(b)(4) of ERISA), governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, inter alia, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "**qualified professional asset manager**"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to transactions involving insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an "in-house asset manager") (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes, and even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or Plan subject to Similar Law or (ii) the acquisition and holding of the Notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation under any applicable Similar Law.

Each purchaser or transferee of Notes that is a Plan shall be deemed to represent, warrant and agree that (i) none of the Issuer, the Initial Purchaser, the Trustee, the Security Agent, the Registrar, the Listing Agent, the Paying Agent, the Calculation Agent or the Transfer Agent, nor any of their affiliates is a fiduciary of, or has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan ("**Plan Fiduciary**"), has relied as a primary basis in connection with its decision to invest in the Notes (unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited), and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes; (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes, and (iii) it will not sell or otherwise transfer such Notes or any interest therein other than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its investment in such Note or any interest therein.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions or other violations of ERISA, Section 4975 of the Code or Similar Laws, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether any exemption would be necessary, and if so, applicable to the purchase and holding of the Notes. Neither the provision of this offering memorandum nor the sale of a Note (or any interest in a Note) to a Plan is in any respect a representation by the Issuer, the Initial Purchaser, the Trustee, the Security Agent, the Registrar, the Listing Agent, the Paying Agent, the Calculation Agent or the Transfer Agent, nor any of their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or that such investment is advisable or appropriate for any such Plan. Each Plan and the Plan's applicable fiduciary have the exclusive responsibility for determining that its investment in Notes does not violate the fiduciary and prohibited transaction requirements of ERISA, Section 4975 of the Code and Similar Law, as applicable.

CERTAIN TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, Italy or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. The statements regarding Italy and United States law and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

OECD Common Reporting Standards

The Organization for Economic Co-operation and Development ("**OECD**") has developed a common reporting standard ("**CRS**") to achieve a comprehensive and multilateral automatic exchange of information on a global basis. A number of jurisdictions (including Italy) signed the OECD's multilateral competent authority agreement ("**OECD Agreement**") to automatically exchange information under the CRS.

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the OECD Agreement may provide this information to other jurisdictions that have signed the OECD Agreement.

Consequently, holders of the Notes may be requested to provide certain information and certifications to any financial institution resident in a jurisdiction that has signed the OECD Agreement (including Italy) through which payments on the Notes are made.

The holder of Notes should consult their professional advisors on the individual impact of CRS.

Certain Italian Tax Considerations

The statements herein regarding taxation are based on the laws and the interpretation thereof in force in Italy as of the date of this Offering Memorandum and are subject to any changes in law or the interpretation thereof occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such changes occur the information in this summary could become invalid. The following is a general summary only of certain material Italian tax consequences of the purchase, ownership and disposal of the Notes for Italian resident and non-Italian resident holders although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws. In any case, Italian legal concepts may not be identical to the concepts described by the same English term as they exist under terms of different jurisdictions and any legal concept expressed by using the relevant Italian term shall prevail over the corresponding concept expressed in English terms.

Certain Italian Tax considerations on Interest

Italian Decree No. 239/1996 sets forth the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price; hereinafter, for the purposes of the discussion under "Certain Italian Tax Considerations" collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (obbligazioni) and securities similar to bonds (titoli similari alle obbligazioni), pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree No. 917**"), to the extent that, inter alia, (i) the Notes are listed, at the Issue Date, on a qualifying regulated market or on a multilateral trading platform of (a) EU Member States or of (b) States party to the EEA Agreement and included in the White List of countries allowing for adequate exchange of information with Italy provided for by Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, lett. c) of Decree No. 239/1996 will be effective, listed among the countries therein included ("**New White List**"), or (ii) the Notes are subscribed, transferred to, and held only by qualified investors as defined under Article 100 of the Consolidated Financial Act.

Under Article 44, paragraph 2, letter c), of Decree 917, bonds and securities similar to bonds (titoli similari alle obbligazioni) are securities that incorporate an unconditional obligation for the issuer to actually pay, at maturity (or at any earlier full redemption of the securities), an amount not lower than their nominal/face value/principal and that do not provide for any right of direct or indirect participation in, or control over, the management of the issuer or of the business in connection with which they are issued.

Italian Resident Noteholders

Holders of the Notes not engaged in an entrepreneurial activity

Where an Italian resident beneficial owner of the Notes (an "**Italian Resident Noteholder**") is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;

(b) a partnership (other than a società in nome collettivo or società in accomandita semplice or similar partnership) or a de facto partnership not carrying out commercial activities (società semplice) or professional association;

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities (other than Italian undertakings for collective investment); or

(d) an investor exempt from Italian corporate income taxation;

the Interest relating to the Notes, accrued during the relevant holding period, is subject to a substitute tax (referred to as "**imposta sostitutiva**"), levied at the rate of 26 percent, unless the relevant Italian Resident Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and, under certain conditions, has validly opted for the application of the "Risparmio gestito" regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461/1997**") (see "Certain Italian Tax Consideration on Capital Gains on the Notes—Italian resident noteholders—Risparmio gestito regime" below).

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are effectively connected or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and No. 103 of February 10, 1996, may be exempt from any income taxation, including the imposta sostitutiva on Interest, if the Notes are included in a long-term individual savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth by Article 1 (100-114) of Italian Law No. 232 of December 11, 2016, as subsequently amended and supplemented – including by Article 136 of Law Decree No. 34 of 19 May 2020 – (the "**Finance Act 2017**"), by Article 1 (210-215) of Italian Law. No. 145 of December 30, 2018, as subsequently amended and supplemented (the "**Finance Act 2019**"), and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124 of October 26, 2019, (the "**Law Decree No. 124**"), each of them as subsequently amended and supplemented from time to time.

Noteholders engaged in an entrepreneurial activity

In the event that Italian-resident noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the imposta sostitutiva applies as a provisional tax. Interest will be subject to 26% imposta sostitutiva on a provisional basis and will then be included in the relevant Italian resident noteholder's annual income tax return. As a consequence, Interest will be subject to the ordinary income tax and imposta sostitutiva may be recovered as a credit that can be offset against the income tax due. Where a noteholder is an Italian resident company or similar commercial entity, a commercial partnership or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes together with the relevant coupons are timely deposited with an Intermediary (as defined below), Interest on the Notes will not be subject to imposta sostitutiva. Interest must, however, be included in the relevant noteholder's income tax return and is therefore subject to general Italian income tax according to the ordinary tax rules and, in certain circumstances, depending on the "status" of the noteholder, also to regional tax on productive activities ("**IRAP**").

Italian real estate investment funds and real estate close-ended investment companies (società di investimento a capitale fisso, or "SICAF")

Payments of Interest deriving from the Notes made to Italian real estate investment funds ("**RE Funds**") and real estate close-ended investment companies ("**RE SICAF**"), provided that the Notes, together with coupons relating thereto, are timely deposited directly or indirectly with an Intermediary (as defined below), are subject neither to imposta sostitutiva nor to any other income tax at the level of the RE Fund or RE SICAF. However, subsequent distributions made in favor of unitholders or shareholders of RE Funds or RE SICAFs and/or income realized upon redemption or disposal of the relevant units or shares will be subject, in certain circumstances, to a withholding tax at a rate of 26 percent. Moreover, subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands irrespective of its actual collection and in proportion to the percentage of ownership of units/shares on a tax transparency basis.

Investment Funds, SICAVs and non-real estate SICAFs

Where an Italian-resident noteholder is an open-ended or a closed-ended collective investment fund other than a RE Fund ("**Fund**"), an open ended investment company (società di investimento a capitale variabile, or "**SICAV"**) or a non-real estate SICAF established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to a form of supervision of the competent regulatory authority, and the Notes, together with their relevant coupons, are timely deposited with an authorized Intermediary (as defined below), Interest accrued during the holding period on the Notes should not be subject to imposta sostitutiva, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF (as the case may be). The Fund, the SICAV or the non-real estate SICAF will not be subject to taxation on such management results. A 26% withholding tax will apply in certain circumstances to income realized by unitholders or shareholders (as applicable), in case of distributions, redemptions or sales of the relevant units or shares of the Fund, SICAV or non-real estate SICAF.

Pension funds

Where an Italian resident holder of a Note is a pension fund (that is subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of December 5, 2005, as subsequently amended) and the Notes, together with the relevant coupon, are deposited with an authorized Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to the imposta sostitutiva, but the entire amount of such Interest must be included in the result of the pension fund accrued at the end of the relevant tax period, to be subject to a 20% substitute tax (the "**Pension Fund Tax**").

Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124, each of them as amended and supplemented from time to time.

Application of the imposta sostitutiva

Pursuant to Decree No. 239/1996, the 26% imposta sostitutiva is applied by banks, società di intermediazione mobiliare ("**SIM**"), fiduciary companies, società di gestione del risparmio ("**SGR**"), stockbrokers and other qualified entities, identified by a decree of the MEF (each, an "**Intermediary**").

An Intermediary must:

(a) (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary; or (iii) be an entity or a company not resident in Italy, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities having appointed an Italian representative for the purposes of Decree No. 239/1996; and

(b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the imposta sostitutiva, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the imposta sostitutiva is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying Interest to a noteholder or, absent that, by the Issuer.

Non-Italian Resident Holders of Notes

Where the noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the imposta sostitutiva applies provided that the non-Italian resident noteholder is:

(a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy, included in the White List; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) an institutional investor, whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy, included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment; or

(d) a central bank or an entity which manages, inter alia, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest or certain non-Italian resident institutional investors and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly with:

(i) an Italian or foreign bank or a financial institution (which could be a non-EU resident—the "**First Level Bank**"), acting as intermediary in the deposit of the Notes indirectly held by the noteholder with a Second Level Bank (as defined below); or

(ii) an Italian resident bank or brokerage company (SIM), or a permanent establishment in Italy of a non-resident bank or a SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Tax Authorities (the "**Second Level Bank**"). Non-Italian resident organizations and companies, acting through a system of centralized administration of securities and directly connected with the Italian Tax Authorities (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (i.e. an Italian-resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239/1996. In the event that a non-Italian resident noteholder deposits the relevant Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the imposta sostitutiva for non-Italian resident noteholders is conditional upon:

- the timely deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

- the timely submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant noteholder (autocertificazione), to be provided only once, in which it declares, inter alia, that it is the beneficial owner of any interest on the Notes or an institutional investor (even if not subject to tax) and it is eligible to benefit from the exemption from the imposta sostitutiva.

Such statement must comply with the requirements set forth by Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in paragraph (b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in paragraph (d) above. Additional requirements may be provided for "institutional investors" referred to in paragraph (c) above (see Circulars of the Revenue Agency No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The imposta sostitutiva will be applicable at the rate of 26% to interest paid to non-Italian resident noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions and procedural requirements provide for the exemption to apply.

Noteholders who are subject to the imposta sostitutiva may, nevertheless, be eligible for full or partial relief under an applicable double tax treaty entered into by Italy and the State of tax residence of the relevant noteholder, if more favorable, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Certain Italian Tax Considerations on Capital Gains on the Notes

Capital Gains Realized by Italian Resident Holders of Notes

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership (società semplice) or (iii) a non-commercial private or public institution, any capital gain realized by such noteholder from the sale or redemption of the Notes would be subject to the imposta sostitutiva provided for by Decree No. 461/1997, levied at the rate of 26 percent. The Noteholders may set off any capital losses with their capital gains, subject to certain conditions.

In respect of the application of the imposta sostitutiva on capital gains, the above-mentioned taxpayers may opt, under certain conditions, for any of the three regimes described below.

<u>Tax Declaration Regime</u>

Under the "tax declaration" regime (regime della dichiarazione), which is the ordinary regime for taxation of capital gains realized by Italian-resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the 26% imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realized by the Italian-resident individual pursuant to all sales or redemptions of the Notes carried out during any given tax year. Such Italian-resident individuals must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay the imposta sostitutiva on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in any of the four succeeding tax years.

<u>Risparmio amministrato regime</u>

As an alternative to the tax declaration regime, Italian-resident individuals not holding the Notes in connection with an entrepreneurial activity may elect to pay the imposta sostitutiva separately on capital gains realized on each sale or redemption of the Notes (the risparmio amministrato regime provided for by Article 6 of Decree No. 461/1997). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries (or permanent establishment in Italy of foreign intermediaries); and

(b) a valid express election for the risparmio amministrato regime being punctually made in writing by the relevant holder of the Notes.

The depository is responsible for accounting for imposta sostitutiva in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the holder of the Notes or using funds provided by the holder of the Notes for this purpose. Under the risparmio amministrato regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted only from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the risparmio amministrato regime, the holder of the Notes is not required to declare the capital gains or losses in its annual tax return.

Risparmio gestito regime

Any capital gains derived by Italian-resident individuals not holding the Notes in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized intermediary and have opted for the so-called "risparmio gestito" regime, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Under the risparmio gestito regime, any decrease in value of the managed assets accrued at year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the risparmio gestito regime, the noteholder is not required to declare the capital gains or losses realized in its annual tax return.

Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), capital gains on the Notes may be exempt from any income tax (including imposta sostitutiva to the rate of 26 percent) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124, each of them as amended and supplemented from time to time.

Noteholders engaged in an entrepreneurial activity

Any capital gains obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the holder, also as part of the net value of production for IRAP purposes) if realized by: (i) an Italian company or a similar commercial entity; (ii) an Italian resident commercial partnership; (iii) the Italian permanent establishment of foreign entities to which the Notes are effectively connected; or (iv) an Italian resident individual engaged in an entrepreneurial activity to which the Notes are connected.

Italian RE Funds and RE SICAFs

Any capital gains realized by a noteholder which qualifies as an Italian RE Fund or as an Italian RE SICAF are exempt from any income tax at the level of the RE Fund or RE SICAF. However, a withholding or substitute tax at a rate of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of the RE Fund/RE SICAF in the event of distributions on, or the redemptions or sales of, the relevant units or shares. Subject to certain conditions and depending on the status and percentage of participation held, income realized by RE Funds and RE SICAFs is attributed to the relevant investors and subject to tax in their hands, irrespective of its actual collection and in proportion to the percentage of ownership of units on a tax transparency basis.

Investment Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a noteholder which qualifies as a Fund, a SICAV or a non real-estate SICAF, will not be subject to imposta sostitutiva at the level of such entities, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 26% withholding tax will apply in certain circumstances to income realized by the relevant unitholders or shareholders (as applicable), in case of distributions, redemptions or sales of the relevant units or shares of the Fund, SICAV or non-real estate SICAF.

Pension funds

Any capital gains derived by a noteholder which is an Italian pension fund (subject to the regime provided for by Article 17, paragraph 2, of Legislative Decree No 252 of December 5, 2005) will be included in the result of the pension fund accrued at the end of the relevant tax period and subject to the 20 percent Pension Fund Tax. Subject to certain conditions and requirements (including minimum holding period requirement) and several limitations (including amount and composition of the capital investment), income relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth by Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Law Decree No. 124, each of them as amended and supplemented from time to time.

Capital Gains Realized by Non-Italian Resident Holders of Notes

The 26% imposta sostitutiva on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter f), of Decree No.917, any capital gains realized by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not traded on a regulated market in Italy or abroad and are held in Italy, pursuant to the provisions of Decree No. 461/1997, non-Italian resident holders of the Notes without a permanent establishment in Italy to which the Notes are effectively connected are exempt from imposta sostitutiva in the Republic of Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are (i) resident, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information, included in the White List, or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy, or (iii) an institutional investor, whether or not subject to tax, which is established in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of establishment, or (iv) a central bank or an entity which manages, inter alia, the official reserves of a foreign State

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the risparmio amministrato regime or elect for the risparmio gestito regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial intermediary an appropriate self-declaration stating that they meet the requirement indicated above.

If the above mentioned conditions are not met, capital gains realized by non-Italian resident noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal or redemption of Notes issued by an Italian-resident issuer and not traded on a regulated market, may be subject to the imposta sostitutiva at the current rate of 26 percent. However, noteholders may be able to benefit from an applicable double tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are taxed only in the country where the recipient is tax resident, subject to satisfying certain conditions.

Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the risparmio amministrato regime or elect for risparmio gestito regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate documents which include, inter alia, a certificate of residence from the competent tax authorities of their country of residence.

The risparmio amministrato regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Italian intermediary (or permanent establishment in Italy of foreign intermediary), but non-resident holders of the Notes retain the right to waive this regime.

Inheritance and Gift Taxes

Pursuant to Law No. 346/1990 and No. 286/2006, as subsequently amended, transfers of any valuable asset (including shares, bonds or other securities) as a result of gift, donation or succession of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes bonds issued by Italian resident issuers), are generally taxed in Italy as follows:

- transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding, for each beneficiary, €1 million;
- transfers in favor of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100 thousand;
- transfers in favor of relatives to the fourth degree or relatives in-law to the third degree are subject to an inheritance and gift tax at a rate of 6% on the entire value of the inheritance or the gift; and
- any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax is levied at the rate mentioned above on the value exceeding, for each beneficiary, €1.5 million.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term saving account (piano individuale di risparmio a lungo termine) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, by Article 1 (210-215) of the Finance Act 2019, and, for long-term individual savings accounts established from January 1, 2020, by Article 13 bis of Italian Law Decree No. 124, each of them as amended and supplemented from time to time.

Moreover, an anti-avoidance rule is provided in the case of a gift of assets, such as the Notes, whose sale for consideration would give rise to capital gains to be subject to the substitute tax provided for by Decree No. 461/1997, as subsequently amended. In particular, if the donee sells the securities for consideration within five years from their receipt as a gift, the latter is required to pay the relevant substitute tax as if the gift had never taken place.

Registration Tax

Contracts relating to the transfer of securities, such as Notes, are subject to Italian registration tax as follows: (i) public deeds and notarized deeds executed in Italy are subject to fixed registration tax of €200; (ii) in case of private deeds, the registration tax of €200 applies only in case of use, reference (enunciazione) in a subsequent registered deed or voluntary registration.

Stamp Duty

According to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of October 26, 1972, as amended and supplemented, a yearly 0.20% stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries (the level of tax being determined in proportion to the period of ownership). The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client.

Based on the wording of the law and the implementing decree issued by the MEF on May 24, 2012, the 0.20% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as "clients" according to the regulations issued by Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy. Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds. The taxable base of the 0.20% stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product or financial instrument (including the Notes).

The stamp duty cannot exceed €14,000 per year if the Notes are held by noteholders other than individuals. Stamp duty applies both to Italian-resident noteholders and to non-Italian-resident noteholders, to the extent that the Notes are held with an Italian-based financial intermediary (and not directly held by the noteholders outside Italy, in which case Italian wealth tax (see below under "Wealth Tax on Notes Deposited Abroad (IVAFE)") applies to Italian-resident noteholders only).

Wealth Tax on Notes Deposited Abroad (IVAFE)

Pursuant to Decree No. 201/2011, Italian resident individuals, non-commercial entities, including trusts and foundations, and so called società semplici (and similar partnerships pursuant to Article 5 of Decree No. 917) holding Notes outside the Italian territory are required to pay wealth tax in Italy ("**IVAFE**") at a rate of 0.2%, increased to 0.4% for financial assets held in counties or territories listed in the so-called "black list" provided by Ministerial Decree of the Minister of Economy and Finance of May 4, 1999, as amended or supplemented from time to time (the level of tax being determined in proportion to the period of ownership).

Pursuant to the provision of Article 134 of Law Decree No. 34 of May 19, 2020, the wealth tax cannot exceed €14,000 per year for taxpayers different from individuals. This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market-value figure is available, the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the IVAFE due).

Italian Financial Transactions Tax

Pursuant to Law No. 228 of 24 December 2012, Italian financial transaction tax ("**FTT**") applies to (a) transfer of ownership of shares and other participating securities issued by Italian resident companies or of financial instruments representing the said shares and/or participating securities (irrespective of whether issued by Italian resident issuers or not) (the "**Relevant Securities**"), (b) transactions on financial derivatives (i) the main underlying assets of which are the Relevant Securities, or (ii) whose value depends mainly on one or more Relevant Securities, as well as to (c) any transaction on certain securities (i) which allow to mainly purchase or sell one or more Relevant Securities or (ii) implying a cash payment determined with main reference to one or more Relevant Securities.

Securities could be included in the scope of application of the FTT if they meet the requirements set out above. On the other hand, securities falling within the category of bonds (obbligazioni), such as the Notes, are not included in the scope of the FTT.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the possible application of financial transaction tax in countries other than Italy.

Italian Tax Monitoring Obligations

Italian resident individuals (and certain other non-commercial entities) are required, in certain circumstances, to report in their yearly income tax return, according to Legislative Decree No. 167 of June 28, 1990, converted into law by Law No. 227/1990, for tax monitoring purposes, the amount of securities, including notes, held abroad (or beneficially owned abroad under Italian anti-money laundering provisions). This also applies in the case that at the end of the tax year, securities are no longer held by the above Italian resident individuals and entities.

However, the above reporting obligation is not required in case where (i) the financial assets (including Notes) are deposited for management with Italian banks, SIMs, fiduciary companies or other qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, provided that the same intermediaries apply a withholding tax or imposta sostitutiva on any income derived from the securities or (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax by the same intermediaries.

Payments by Guarantor

If an Italian resident guarantor (if any) makes any payments in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of principal), in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26% levied as a final tax or a provisional tax ("a titolo d'imposta o a titolo di acconto") depending on the "status" and a tax residence of the beneficial owner of the Notes, pursuant to Italian Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Noteholders, subject to compliance with relevant subjective and procedural requirements. In accordance with another interpretation, any such payments made by an Italian resident guarantor should be treated, in certain circumstances, as payments by the Issuer and should thus be subject to the tax regime described above under caption "Certain Italian Tax Considerations on Interest."

With respect to payments made to Italian resident Noteholders by a non-Italian resident guarantor (if any), in accordance with one interpretation, any such payments made by a non-Italian resident guarantor should be treated, in certain circumstances, as income taxable in Italy, depending on the "status" of the beneficial owner of the Notes. According to another interpretation, any such payments made by a non-Italian resident guarantor to Italian resident Noteholders should be treated, in certain circumstances, as payments by the Issuer and should thus be subject to the tax regime described above under caption "Certain Italian Tax Considerations on Interest."

OECD Common Reporting Standards

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended, initially, by Council Directive 2014/107/EU and, lastly, by Council Directive 2018/822/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges began in January 2017.

Italy has enacted Italian Law No. 95/2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes. The following discussion addresses only U.S. Holders (as defined herein) who purchase the Notes at the "issue price" (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in this Offering and hold the Notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). This discussion does not address the tax consequences to subsequent purchasers of the Notes. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable U.S. Treasury Regulations ("**Treasury Regulations**") to be treated as a U.S. person.

This discussion is based upon provisions of the Code and Treasury Regulations, rulings and judicial decisions, in each case, as of the date hereof, all of which are subject to change (possibly with retroactive effect), so as to result in U.S. federal income tax consequences different from those summarized below. The discussion below does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including the impact of the unearned income Medicare contribution tax), nor does it address any tax consequences arising under U.S. federal estate and gift tax laws or under the laws of any state, local, non-U.S. or other taxing jurisdiction. In addition, this summary does not address tax consequences to U.S. Holders who may be subject to special tax treatment, such as banks, dealers, traders that elect to mark to market, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, persons holding the Notes as part of a hedge, straddle, wash sale, constructive sale, conversion or other integrated financial transaction, entities or arrangement treated as partnerships or other pass-through entities for U.S. federal income tax purposes (or investors therein),persons holding the Notes in connection with a trade or business conducted outside the United States, 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 or persons whose "functional currency" is not the U.S. dollar. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. An entity or arrangement that is treated as a partnership for U.S. federal income tax purposes and that is considering holding the Notes and a partner of such entity or arrangement is urged to consult its own tax advisors regarding the U.S. federal income tax consequences to it of the acquisition, ownership and disposition of the Notes.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP OR DISPOSITION OF THE NOTES, AS WELL AS THE CONSEQUENCES TO THEM ARISING UNDER OTHER U.S. FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, INCLUDING TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Effect of the IPO Debt Pushdown Provisions

In the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of the Notes—IPO Debt Pushdown*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement—Required Consents—Provisions following an IPO*," such change in the Issuer could result in a deemed exchange of the Notes for "new" Notes for U.S. federal income tax purposes. In such event, 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 the "new" Notes for U.S. federal income tax purposes. In addition, if the fair market value of the "new" Notes at the time of the IPO pushdown is less than the principal amount of the Notes (by more than a statutorily defined de minimis amount), such "new" Notes may be treated as issued with original issue discount ("OID"), or a greater amount of OID, for U.S. federal income tax purposes.

Characterization of the Notes

In certain circumstances the Issuer may be obligated to make payments on the Notes in excess of stated interest and principal. See, for example, "*Description of the Notes—Change of Control*." Although the issue is not free from doubt, the Issuer intends to take the position that there is no more than a remote chance that it would make such payments and the Notes should accordingly not be treated as contingent payment debt instruments ("**CPDIs**") for U.S. federal income tax purposes because of such payments. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. Our position, however, is not binding on the IRS. If the IRS successfully challenged this position, and the Notes were treated as CPDIs, U.S. Holders could be required to accrue interest income at a rate higher than the stated interest rate on the Note and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange or redemption of the Note. Prospective investors are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and the consequences thereof. The remainder of the discussion assumes that the Notes will not be treated as CPDIs.

Payments of Stated Interest and Original Issue Discount

General

Stated interest paid by the Issuer on the Notes (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) and original issue discount ("**OID**"), if any, generally will be considered income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. There are significant complex limitations on a U.S. Holder's ability claim foreign tax credits or deductions in lieu thereof. Prospective investors are urged to consult their tax advisors regarding the creditability or deductibility of any foreign taxes under their particular circumstances.

Stated Interest

Each payment of "**qualified stated interest**" (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable at least annually at a qualifying rate during the entire term of the Note. Stated interest on the Notes will be treated as qualified stated interest.

The amount of income recognized by a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes (a "**cash basis U.S. Holder**") with respect to a payment of stated interest denominated in euros will be the U.S. dollar value of the interest payment based on the "**spot rate**" (as such term is defined in Treasury Regulations) on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A cash basis U.S. Holder generally will not recognize foreign currency exchange gain or loss on the interest payment but may recognize foreign currency exchange gain or loss when it disposes of any euros it receives.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes (an "**accrual basis U.S. Holder**") (or a U.S. Holder who otherwise is required to accrue interest prior to receipt) may determine the amount of income recognized with respect to a payment of stated interest denominated in euros in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average spot rate in effect during the interest accrual period or periods (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate on the last day of the portion of the accrual period within each taxable year). Additionally, if the interest payment is actually paid or received within five Business Days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot rate on the day of actual payment or receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the taxable year to which the election applies or thereafter acquired by the U.S. Holder, and such election cannot be changed without the consent of the IRS.

An accrual basis U.S. Holder may recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received (including a payment attributable to accrued but unpaid interest upon the sale, exchange, retirement or other taxable disposition of a Note). The amount of foreign currency exchange gain or loss recognized will equal to the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the amount of such interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted into U.S. dollars at such time. Any such foreign currency exchange gain or loss generally will be treated, for foreign tax credit purposes, as U.S. source income or loss and generally not as an adjustment to interest income or expense.

Original Issue Discount

The Notes may be issued with OID for U.S. federal income tax purposes. In such event, U.S. Holders generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. Holders will include any OID in income in advance of the receipt of cash attributable to such income.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds their issue price (as defined above) by an amount equal to or more than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date). U.S. Holders of the Notes with less than the de minimis amount of discount will include the discount on such Notes in income, as capital gain, when principal payments are made on the Note.

In the event that the Notes are issued with OID, the amount of OID includible in income by a U.S. Holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. Holder holds such Note ("**Accrued OID**"). A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of qualified stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the Accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

For the purposes of determining OID accruals and adjusted issue price only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Notes is a fixed rate based on the value of the floating rate applicable to the Notes as of the issue date.

OID, if any, on the Notes will be determined for any accrual period in euros and then translated into U.S. dollars in accordance with either of the two alternative methods applicable to accrual basis U.S. Holders described above under "—Payments of Stated Interest and Original Issue Discount—Stated Interest."

A U.S. Holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the sale, exchange, retirement or other taxable disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the Accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first as payment of stated interest payable on the Note, second as receipt of previously Accrued OID (to the extent thereof) with payments considered made for the earliest accrual periods first and third as receipt of principal. The rules governing OID instruments are complex, and prospective investors should consult their tax advisors concerning the application of such rules to the Notes as well as the interplay between the application of the OID rules and the foreign currency exchange gain or loss rules.

Foreign currency exchange gain or loss generally will be treated as U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Disposition of Notes

On a sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (less any amount attributable to any accrued but unpaid stated interest and OID, which will be taxable as stated interest income as described above to the extent not previously included in income by a U.S. Holder) and (ii) the U.S. Holder's adjusted tax basis in the Note. If a U.S. Holder receives foreign currency on such taxable disposition, the amount realized by a U.S. Holder will be the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date of the disposition (or based on the spot rate on the settlement date of the disposition, in the case of Notes traded on an established securities market and taxably disposed of by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

A U.S. Holder's adjusted tax basis in a Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder increased by any previously Accrued OID. The "U.S. dollar cost" of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price based on the spot rate of exchange on the date of purchase (or based on the spot rate of exchange on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to foreign currency exchange gain or loss on a Note attributable to currency fluctuations, any gain or loss recognized by a U.S. Holder on a sale, exchange, retirement or other taxable disposition of a Note generally will be treated as U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the Note was held by the U.S. Holder for more than one year. In the case of an individual U.S. Holder, any long-term capital gain will generally be subject to preferential U.S. federal income tax rates. The deductibility of capital losses is subject to significant limitations. Prospective investors are urged to consult their own tax advisors as to the foreign tax credit implications of the sale, exchange, retirement or other taxable disposition of the Notes in their particular circumstances.

The gain or loss that a U.S. Holder realizes on the sale, exchange, retirement or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will be taxable as ordinary income or loss and generally will be treated as U.S. source for U.S. foreign tax credit limitation purposes. Such foreign currency exchange gain or loss will generally equal the difference, if any, between the U.S. dollar value of the purchase price of the Note based on the spot rate of exchange on (i) the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the date on which the U.S. Holder acquired the Note. In addition, upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder may realize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and Accrued OID, if any, which will be treated as discussed above under *"—Payments of Stated Interest and Original Issue Discount—Stated Interest*" or "*—Payments of Stated Interest and Original Issue Discount—Original Issue Discount*," as applicable. In addition, an accrual basis U.S. Holder that does not make the election described above will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss. However, a U.S. Holder will only realize foreign currency exchange gain or loss upon the sale, exchange, retirement or other disposition of a Note (including any foreign currency exchange gain or loss attributable to the principal amount of a Note and any foreign currency exchange gain or loss attributable to accrued and unpaid stated interest and Accrued OID, if any) only to the extent of the total gain or loss realized by such holder on the disposition. Prospective investors should consult their own tax advisors regarding the proper calculation of foreign currency exchange gain or loss realized in connection with their acquisition and disposition of the Notes.

Satisfaction and Discharge

If we were to obtain a discharge of the Indenture within one year of maturity or the redemption date with respect to all of the Notes then outstanding, as described herein under "Description of the Notes—Satisfaction and

Discharge" such discharge would generally be deemed to constitute a taxable exchange of the Notes outstanding for other property. In such case, a U.S. Holder would be required to recognize capital gain or loss in connection with such deemed exchange. In addition, after such deemed exchange, a U.S. Holder might also be required to recognize income from the property deemed to have been received in such exchange over the remaining life of the transaction in a manner or amount that is different than if the discharge had not occurred. U.S. Holders should consult their tax advisors as to the specific consequences arising from a discharge in their particular situations.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions, including a sale, exchange, retirement or other taxable disposition of a Note, giving rise to losses in excess of a certain minimum amount and foreign currency received in respect of such transactions. U.S. Holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to their acquisition, holding or disposition of the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. Holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions (in which case such account may be reportable if maintained by a non-U.S. financial institution). Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Back-up Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments of principal and interest (including the accrual of OID, if any) on, or the proceeds from a sale, exchange or other taxable disposition of, a Note, unless the U.S. Holder is an exempt recipient, such as a corporation, and, if required, demonstrates that fact. Additionally, such payments may be subject to backup withholding unless (1) the U.S. Holder is a corporation or other exempt recipient or (2) the U.S. Holder provides its taxpayer identification number and certifies that it is not subject to back-up withholding.

U.S. Back-up withholding is not an additional tax. Any amounts withheld under the back-up withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. U.S. Holders are urged to consult their own tax advisors regarding backup withholding and information reporting requirements relating to their ownership of the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**"), the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer the entire principal amount of the Notes.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

One or more of the Initial Purchasers may sell through affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions where they are otherwise not permitted, affiliates, including in respect of sales into the United States. To the extent certain of the Initial Purchasers (including, but not limited to, Mediobanca—Banca di Credito Finanziario S.p.A.), are not U.S. registered broker-dealers under Section 15 of the U.S. Exchange Act and intend to effect any sales of the Notes in the United States, they will do so through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority and in compliance with all applicable federal or state securities laws of the United States.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "Notice to U.S. Investors," "Notice to Certain European Investors" and "Transfer Restrictions".

European Economic Area

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in a Member State of the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65 (as amended, "**MiFID** II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a "qualified investor" as defined in the EU Prospectus Regulation. Consequently, no key information document required by

Regulation (EU) 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional Investors and ECPs Only Target Market: Solely for the purposes of the product approval process of each Initial Purchaser that considers itself as a manufacturer pursuant to Directive (EU) 2014/65 (as amended, "**MiFID II**") (each an "**EU Manufacturer**" and, together, the "**EU Manufacturers**"), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the EU Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the EU Manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

The Notes described in the Offering Memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK").** For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA ("**UK MiFIR**"); or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Each Initial Purchaser has represented, warranted and agreed severally and not jointly in the Purchase Agreement that, to the extent applicable, it:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issuance or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

Italy

The Offering of the Notes has not been registered with or cleared by CONSOB (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or any other offering circular, prospectus, form of application, advertisement or other offering material or document relating to the Notes to be issued, be distributed in the Republic of Italy.

For the purposes of this provision, the expression "offer of Notes to the public" in Italy 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, including the placement through authorized intermediaries.

The Notes will not be offered, sold or delivered, directly or indirectly, or copies of this Offering Memorandum or of any other document relating to the Notes distributed in the Republic of Italy, either on the primary or on the secondary market, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2(e) of the Prospectus Regulation, and any application provision of Legislative Decree No. 58 of February 24, 1998, as amended and implemented (the "**Consolidated Financial Act**"), and Italian CONSOB regulations; or

(ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, the Consolidated Financial Act and the implementing CONSOB regulations, including the CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer's Regulation**") and any other applicable Italian laws and regulations.

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

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of the Consolidated Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**CONSOB Regulation on Intermediaries**"), Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**"), the Issuer Regulation and any other applicable laws or regulations;

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Consolidated Banking Act and the implementing guidelines of the Bank of Italy, issued on August 25, 2015, as amended) or any other relevant Italian competent authority; and

(c) in compliance with any other applicable laws and regulations imposed by CONSOB, the Bank of Italy or any other Italian competent authority.

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

The Issuer and the Guarantor have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We will apply, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market thereof; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*"

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be the fifth business day (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T+5**"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next two succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantee and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.*"

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, lending, consultancy, financial advisory, commercial banking and cash management services to us and/or our affiliates and/or to companies directly and/or indirectly involved in the Transactions in the ordinary course of business for which they have received or may receive customary fees and commissions, including in connection with the Revolving Credit Facility, the Existing Notes and the Guarantee Facility. In addition, the Initial Purchasers and/or their respective affiliates provide, or will provide as part of the Transactions, commitments under the Revolving Credit Facility. See "*Description of Certain Financing Arrangements*." The Initial Purchasers or their affiliates may also receive allocations of the Notes. In addition, in the ordinary course of their business activities, the Initial Purchasers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our securities and instruments or those of our affiliates and/or to companies directly and/or indirectly involved in the Transactions. If the Initial Purchasers or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and/or their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes and the Guarantee have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to QIBs (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

(a) in the United States, to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States in offshore transactions in accordance with Regulation S.

We use the term "offshore transaction" with the meaning given to it in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that (i) the Notes and the Guarantee have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and, (ii) unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (7) below.

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either:

    (a) it is a QIB, within the meaning of Rule 144A, and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

    (b) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It understands and acknowledges that none of the Issuer, the Guarantor or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

(5) In the case of any Rule 144A Notes, you agree on your own behalf and on behalf of any investor account for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior

to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the Issue Date, the issue date of any additional Notes and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to the Issuer or the Guarantor, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, (v) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is not a QIB and that is purchasing for its own account or for the account of another institutional "accredited investor", in each case in a minimum principal amount of securities or (vi) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS NOTE 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 NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

BY ITS ACQUISITION OF THIS NOTES OR ANY INTEREST HEREIN, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THIS NOTE (OR ANY INTEREST HEREIN) CONSTITUTES THE ASSETS OF ANY (A) "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (B) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR A PLAN OR THE PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISAORTHE CODE (COLLECTIVELY "**SIMILAR LAWS**"), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "THE ASSETS" OF ANY OF THE FOREGOING DESCRIBED IN CLAUSES (A) AND (B) ABOVE, OR (2) THE ACQUISITION AND HOLDING OF THIS SECURITY OR ANY INTEREST HEREIN BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, A U.S. INTERNAL REVENUE SERVICE FORM W9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPLICABLE U.S. INTERNAL REVENUE SERVICE FORM W8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL WITHHOLDING FROM

PAYMENTS TO THE HOLDER IN RESPECT OF THE NOTES REPRESENTED BY THIS CERTIFICATE".

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF SECURITIES OR (B) IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES THAT ANY OFFER, SALE OR TRANSFER OF THIS NOTE PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) MUST BE MADE ONLY (A) TO THE ISSUER OR THE GUARANTOR, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE 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 IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF SECURITIES OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

Each purchaser acknowledges that each Regulation S Note will contain a legend substantially in the following form:

BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

Any Note issued with original issue discount for U.S. federal income tax purposes will contain a legend substantially to the following effect:

THIS NOTE HAS BEEN ISSUED WITH "ORIGINAL ISSUE DISCOUNT" (WITHIN THE MEANING OF SECTIONS 1272 THROUGH 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED). UPON REQUEST, THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO ANY HOLDER OF THIS NOTE THE FOLLOWING INFORMATION: (1) THE ISSUE PRICE AND DATE OF THE NOTE, (2) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THE NOTE AND (3) THE YIELD TO MATURITY OF THE NOTE. HOLDERS SHOULD CONTACT THE CHIEF FINANCIAL OFFICER OF THE ISSUER.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(9) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set out therein have been complied with.

(10) It acknowledges that the Issuer, the Guarantor, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantor or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors*."

Persons who come into possession of this Offering Memorandum are advised to inform themselves about and to observe any restrictions relating to the offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Important information for investors*," and "*Plan of Distribution*."

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain insolvency rules and certain limitations on the validity, effectiveness and enforceability of the Guarantee and security interests in each of the jurisdictions in which the Issuer the Guarantor and the Transaction Security Providers are organized. In particular, the following includes a brief description of certain aspects of bankruptcy, insolvency and certain other applicable regulations in the European Union and Italy. It is a summary only and does not include a full description of all regulations which may limit the validity, effectiveness and enforceability of the Guarantee and security interests.

It should be noted that bankruptcy, insolvency or similar proceedings, schemes and/or events could be conducted or could occur in any of these jurisdictions, as well as in other jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantee and/or other security. In particular, under the EU regulations and regulations of EU member states, the insolvency (bankruptcy) proceedings may be initiated not only in the country where the entity is registered (incorporated) but also in other EU member states where the bankrupt entity conducts its business activity. Irrespective of the attempts to harmonize the bankruptcy regulations in EU Member States, the regulations in various states differ and the insolvency (bankruptcy) proceedings conducted in more than one state may create additional legal risks and costs for you.

In the event that the Issuer or the Guarantor experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions bankruptcy, insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

The Issuer is incorporated and organized under the laws of a Member State of the European Union.

Regime Applicable to Insolvency Proceedings Opened after June 26, 2017

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (recast), as amended (the "**Recast EU Insolvency Regulation**") was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation applies within the European Union, other than Denmark, to insolvency proceedings opened on or after June 26, 2017 and with respect to a company whose COMI is located in a Member State.

Main Insolvency Proceedings

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court with jurisdiction to open insolvency proceedings in relation to a debtor that has its "centre of main interests" ("**COMI**") (as that term is used in Article 3(1) of the Recast Insolvency Regulation) in a Member State is the court of the Member State (other than Denmark) within which the centre of the debtor's main interests is situated. However, pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3. Such court's decision may be challenged by the debtor or any creditor on grounds of international jurisdiction. The COMI is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties ."

COMI is not a static concept and may change from time to time, but is determined for the purposes of deciding which court has competent jurisdiction to open main insolvency proceedings at the time of the request to open insolvency proceedings: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), paragraph 2, provides, in most cases, for a rebuttable presumption that a company's COMI is in the jurisdiction where its registered office is located. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply, and the court which shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

Specifically, Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to the COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the center of the company's operations.

If the COMI of a company is, at the time of the request to open insolvency proceedings located in the same Member State as its registered office, the main insolvency proceedings with respect to the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. As noted in Preamble 10, Annex A to the Recast EU Insolvency Regulation has been extended to include insolvency proceedings that promote the rescue of economically viable but financially distressed businesses (such as, with respect to Italian insolvency proceedings, restructuring agreements with creditors (*accordi di ristrutturazione*), crisis resolution process of the consumer overindebtedness (*procedure di composizione della crisi da sovraindebitamento del consumatore*) and winding-up (*liquidazione dei beni*)).

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State in which insolvency proceedings have been opened in accordance with Article 3 have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary Insolvency Proceedings

Insolvency proceedings opened in one Member State under the Recast EU Insolvency Regulation must be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the COMI of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. "**Establishment**" is defined in Article 2(10) of the Recast EU Insolvency Regulation as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for opening of main insolvency proceedings.

The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the lex fori concursus, (i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor).

The courts of all Member States (other than Denmark) must recognize the judgment opening insolvency proceedings of the court commencing proceedings (subject to any public policy exception). The judgment of the court commencing main proceedings will produce the same effects in the other Member States (other than Denmark) as under the law of the Member State (other than Denmark) commencing main proceedings, so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced in that other Member State and subject to certain other exceptions (e.g. rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in the Member State, which has jurisdiction to commence main proceedings, may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g., the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency receiver in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency receiver must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Insolvency Proceedings Involving Members of a Group of Companies

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism with the concept of "group coordination proceedings" in the event that insolvency proceedings concerning two or more members of a group of companies are opened in EU Member States (other than Denmark). Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency receiver appointed in insolvency proceedings opened in relation to a member of the group. Insolvency receivers appointed in proceedings concerning a member of the group will cooperate with any insolvency receiver appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group, to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest.

Further, an insolvency receiver appointed in insolvency proceedings concerning a member of a group of companies will cooperate and communicate with any court with jurisdiction over the insolvency proceedings of another group member. The Recast EU Insolvency Regulation also contains provisions for the proposal and implementation of a group coordination plan and group coordination proceedings, which are designed and implemented by a group coordinator. Participation in the group coordination plan is not compulsory for group members, and there are safeguards to preserve the sovereignty of the applicable law and courts of each group members' insolvency proceedings.

Applicability

In the event that the Issuer or any its subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

Republic of Italy

Certain Italian Insolvency Law Considerations

The Issuer and Sofima PIK are incorporated in the Republic of Italy and, in the event of an insolvency event affecting any of these entities, insolvency proceedings may be initiated in Italy. In Italy, the courts play a central role in the insolvency process, insolvency laws may not be as favorable to investors' interests as those of other jurisdictions and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor does it provide a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Insolvency laws and regulations have been replaced by a new crisis and insolvency code. In particular, the Italian government approved on January 12, 2019 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 comprehensive legal framework in order to regulate, among others, insolvency matters, which enacts a comprehensive legal framework in order to regulate, among others, insolvency matters which came into force on July 15, 2022 (the *Codice della crisi d'impresa e dell'insolvenza*, hereinafter, as subsequently amended and supplemented and including Legislative Decree No. 83 of 17 June 2022 implementing the EU Directive 2019/1023, the "**Italian Insolvency Code**").

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 restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*) 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 crisis settlement procedure (*composizione negoziata della crisi*); (vii) jurisdiction of specialized courts over proceedings involving large entrepreneurs; (viii) the adoption of definition of entrepreneur's "centre of main interest" as provided in the new set of rules concerning group restructurings, (ix) the introduction of the new restructuring plan subject to homologation (*piano di ristrutturazione soggetto ad omologazione*) among the restructuring tools and frameworks (*strumenti di regolazione della crisi e dell'insolvenza della società*); (x) the regulation of adequate measures and plans to early detect a crisis with specific criteria to be adopted by companies and (xi) amendments to certain provisions of Royal Decree No. 262 of March 16, 1942 (as subsequently amended and supplemented, the "**Italian Civil Code**") aimed at ensuring the general effectiveness of the reform.

The Italian Insolvency Code has been amended and supplemented by, among others, (i) the Italian Legislative Decree No. 147 of October 26, 2020, (ii) the Italian Draft Legislative Decree on "Amendments to the Business Crisis and Insolvency Code, implementing Directive (EU) 2019/1023" approved on March 17, 2022 by the Italian Council of Ministers (*Consiglio dei Ministri*) and (iii) the Italian Legislative Decree No. 83 of June 17, 2022.

Except for minor changes in some provisions of the Italian Civil Code, which already entered into force on March 16, 2019, in response to the COVID-19 pandemic, the entry into force of the Italian Insolvency Code was initially postponed to September 1, 2021 by the "Decreto liquidità" (i.e., Law Decree April 8, 2020, no. 23, published in the Official Journal (Gazzetta Ufficiale) on April 8, 2020 and converted in law by the Italian Parliament by the Law June 5, 2020, no. 40, published in the Official Journal (Gazzetta Ufficiale) on June 6, 2020, the "**Liquidity Decree**"), and is now effective starting from July 15, 2022.

Provisions under the Italian Bankruptcy Law continue to apply only to any filings for proposals of declaration of insolvency procedures and bankruptcy restructuring plans (*concordato fallimentare*) and any filings seeking for the approval of debt restructuring agreements (*accordo di ristrutturazione dei debiti*) or for the opening of a composition with creditors proceeding (*concordato preventivo*) filed or pending before July 15, 2022 (i.e. the effective date of the Italian Insolvency Code).

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Considering the above, the following is a brief description of certain main aspects of insolvency law in Italy as it stands now and in particular: (i) of the Italian Bankruptcy Law and the other ancillary applicable regulations in place until July 15, 2022 and (ii) of the Italian Insolvency Code after its entry into force.

Italian Bankruptcy Law - applicable to proceedings filed or opened before July 15, 2022 only

In particular, please find below a brief description of the main provisions of the Italian Bankruptcy Law and the other ancillary applicable regulations.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "Prodi-bis" procedure or "Marzano" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

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 with ordinary means 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.

In addition to the *composizione negoziata della crisi* and to the *concordato semplificato per la liquidazione del patrimonio* described below, the following debt restructuring and bankruptcy measures 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 provides the debtor with significant advantages and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being very likely reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger various liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing temporary 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.

Composizione negoziata per la soluzione della crisi d'impresa (introduced by Law Decree 118/2021)

The *composizione negoziata della crisi* is an out-of-court proceeding, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 7 of the Law Decree 118/2021 requesting the competent court pursuant to art. 9 of the Italian Insolvency Law, to confirm or modify the protective measures (the "**Protective Measures**"), and, if necessary, to enact the interim measures provided for pursuant to Article 6 of the Law Decree 118/2021 on the same day as the publication of the request in the relevant Companies' Register (*Registro delle Imprese*) and the acceptance of the Expert (as defined below); and if necessary to complete the negotiations (the "**Interim Measures**" and, together with the Protective Measures, the "**Measures**"), and (ii) when the entrepreneur files a petition pursuant to Article 10 of the Law Decree 118/2021 asking the court to authorize certain acts, or to modify the conditions of certain contracts if, as a consequence of the COVID-19 pandemic, such contracts pose an excessive burden on the entrepreneur.

The *composizione negoziata della crisi* can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*), which are in a distressed situation with reference to their assets, their business and/or their finance, such that it is likely that a crisis or insolvency will follow and it is likely that the financial recovery shall occur, notwithstanding the general thresholds for the application of Italian Bankruptcy Law are not met. Pursuant to Article 5 of the Law Decree 118/2021, inter alia, the entrepreneur or the enterprise filing for a *composizione negoziata della crisi* (i) shall certify that no requests for the admission to a *concordato preventivo* procedure nor *accordi di ristrutturazione dei debiti* have been previously filed to the court in such respect and (ii) in the event that the application for a *composizione negoziata della crisi* is dismissed, may not submit a new request before one year has elapsed after the aforementioned dismissal.

Pursuant to Article 13 of the Law Decree 118/2021, the *composizione negoziata della crisi* may also apply to group of companies, in order to provide for the possibility of the negotiated proceeding to take place in a unitary form. It should be noted that Paragraph 10 of such provision provides for the group companies – at the end of the negotiations – to either enter into one of the agreements referred to in Article 11 of the Law Decree 118/2021 (as set out below) as a whole group or enter separately as single companies into the solutions referred to therein.

The *composizione negoziata della crisi* is commenced by the enterprises, on a voluntary basis only, with the filing of a petition for the appointment of a third party and an independent expert (the "**Expert**") which however, pursuant to Article 23 of the Law Decree 118/2021, is prevented for enterprises having filed to access the procedures, debt restructuring agreements and/or *concordato preventivo*, including (i) pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law, (ii) pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law and (iii) the procedures of over-indebtedness restructuring agreement or liquidation of assets referred to in Articles 7 and 14-ter of Law No.3 of January 27, 2012 (i.e. *procedimenti di composizione della crisi da sovraindebitamento e di liquidazione del patrimonio*) pending such procedures. Pursuant to Article 4 of the Law Decree 118/2021 the person who acted as Expert in the context of such proceeding, shall not have or maintain professional relations with the entrepreneur during the two years following the termination of the negotiated proceeding.

If the Expert finds that there are concrete chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's financial and business situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations.

If the Expert finds that there are not concrete chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the secretary general of the chamber of commerce, which provides for the dismissal of the entrepreneur's petition.

The Expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur's distressed situation. However, the Expert's appointment can continue for up to an additional 180 days (pursuant to Article 5, Paragraph 7 of the Law Decree 118/2021) if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 7 and/or Article 10 of the Law Decree 118/2021.

Pursuant to Article 5, Paragraph 8 of the Law Decree 118/2021, at the end of his/her appointment the Expert issues a final report (the "**Final Report**"), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any), which declares the termination of their related effects.

Pursuant to Article 6 of the Law Decree 118/2021, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of Protective Measures. The Protective Measures consist of the following: from the date of publication of the relevant petition, preexisting creditors cannot obtain preemption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions are stayed. However, as opposed to what happens in the *concordato preventivo*, payment of preexisting creditors is not forbidden. The Protective Measures do not apply to employees' claims.

From the date of publication of the petition requesting the application of the Protective Measures until the date of conclusion of the negotiations or dismissal of the petition for appointment of the Expert, the entrepreneur cannot be declared bankrupt nor insolvent by the court.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures.

If the entrepreneur applies for the Protective Measures (which, as said, are immediately effective), he must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the Protective Measures will be ineffective.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days. The judge, in his or her discretion, may order the revocation of such Protective Measures or shorten their duration.

Upon request of the entrepreneur or of one or more creditors, or upon report of the Expert, the Protective Measures and the Interim Measures can be revoked, or their duration can be reduced, if they do not satisfy the purpose of a positive finalization of the negotiations or appear to be disproportionate compared to the prejudice caused to the creditors that file the relevant request.

Pursuant to Article 9 of the Law Decree 118/2021, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore, if during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. When Protective Measures and/or Interim Measures have been granted, the Expert also reports to the court which may revoke such measures or reduce their duration pursuant to Article 7, Paragraph 6 of the Law Decree 118/2021.

Pursuant to Article 10 of the Law Decree 118/2021, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

- the entrepreneur or one or more companies belonging to the same group to incur new super-senior indebtedness (*prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law;
- the entrepreneur to incur new super-senior indebtedness (so-called *prededucibile*) via shareholders' financing pursuant to Article 111 of the Italian Bankruptcy Law;
- the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, Paragraph 2, of the Italian Civil Code. However, in such case it will be for the court itself to identify the measures it considers appropriate, taking into account the requests of the parties concerned, in order to protect the interests of all relevant parties involved.

Pursuant to Article 11 of the Law Decree 118/2021, the *composizione negoziata della crisi* can terminate as follow:

- execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 14 of the Law Decree 118/2021 if, according to the Expert's Final Report, such agreement ensures the continuation of the business as a going concern for at least 2 years;

- execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 182 *octies* of the Italian Bankruptcy Law;
- execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law. In such case, the independent expert's report (*attestazione*) provided under Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law, shall not be required.

At the end of the negotiations, the entrepreneur can also file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Article 182-bis, Article 182 *septies* or Article 182 *novies* of the Italian Bankruptcy Law.

Alternatively, the entrepreneur may:

- arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 67, Paragraph 3, letter d) of the Italian Bankruptcy Law;
- file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* pursuant to Article 18 of the Law Decree 118/2021 which pursuant to Article 11 of the Law Decree 118/2021 can be filed only following the end of the negotiations;
- enter into one of the insolvency proceedings provided under the Italian Bankruptcy Law or in the so-called Prodi bis procedure or Marzano procedure.

Pursuant to Article 12 of the Law Decree 118/2021:

- the acts authorized by the court pursuant to Article 10 of the Law Decree 118/2021 maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised pre-bankruptcy composition with creditors (*concordato preventivo omologato*), bankruptcy (*fallimento*), compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or *concordato semplificato per la liquidazione del patrimonio*;
- the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 67, Paragraph 2, of the Italian Bankruptcy Law if they are consistent with the development and the status of the negotiations and with the perspectives of recovery (*risanamento*) in place at the time the payment/transaction/granting of security interest was made;
- acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 66 and Article 67 of the Italian Bankruptcy Law if the Expert has registered his/her dissent in the companies' register or if the court has denied its authorization pursuant to Article 10 of the Law Decree 118/2021;
- payments and transactions made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery (*risanamento*) of the enterprise, or which have been authorized by the court pursuant to Article 10 of the Law Decree 118/2021, benefit of exemptions from the potential application of certain criminal sanctions provided for pursuant to Article 216 and 217 of the Italian Bankruptcy Law.

Potential outcomes: concordato semplificato per la liquidazione del patrimonio (introduced by Law Decree 118/2021)

Article 18 of the Law Decree 118/2021 introduces a simplified court-supervised pre-bankruptcy composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*).

If, in its Final Report, the Expert states that the negotiations did not have a positive outcome but have been conducted according to fairness and in good faith, and that the options provided under Article 11, Paragraphs 1 and 2, of the Law Decree 118/2021 are not feasible, within 60 days following the notification of the Final Report the entrepreneur may file, with the competent court of the place where the company has its registered office, a petition for admission to the *concordato semplificato per la liquidazione del patrimonio*, together with a liquidation plan and the documents listed under Article 161, Paragraph 2, letters a), b), c) and d) of the Italian Bankruptcy Law, which may divide the creditors into various classes. The petition for *concordato semplificato per la liquidazione del patrimonio* is then published in the companies' register within the day following the filing with the court. From the date of such publication, the effects provided under Articles 111, 167, 168 and 169 of the Italian Bankruptcy Law apply.

The court issues a decree approval (*omologazione*) the *concordato semplificato per la liquidazione del patrimonio* when it finds that (i) the proceeding has been carried out in accordance with relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); (ii) the proposal is compliant with preemption rights (*cause di prelazione*) and the liquidation plan is feasible, and (iii) the proposal does not cause a prejudice to the creditors compared to what they would receive in case of insolvent liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery.

The parties may file an objection (*opposizione*) to the above-mentioned decree within 30 days after having been notified of the same.

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, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors or any public authority including tax authorities. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e. facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law, while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or Enforcement Action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

The new Article 182-bis, Paragraph 8 of the Italian Bankruptcy Law, as amended by Italian Law No. 69 of May 21, 2021, and subsequently replaced by the Law Decree 118/2021, sets the rule for when substantial amendments are made to the plan, inter alia, if any substantial change to the plan are is necessary or required before or after the homologation of a debt restructuring agreement with creditors, the entrepreneur shall make the appropriate changes aimed at the implementation of such plan, requesting (i) the independent expert to renew its report as well as (ii) the creditors involved in such debt restructuring agreement to manifest their consent the necessary amendments.

The Law Decree 118/2021 significantly amended Article 182 *septies* of the Italian Bankruptcy Law and introduced in the Italian Bankruptcy Law the new Article 182 *octies*, Article 182 *novies* and Article 182 *decies*, thus anticipating some of the provisions of the Italian Insolvency Code.

Pursuant to the new Article 182 *novies* of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, the percentage of 60% provided under Article 182-bis, Paragraph 1, of the Italian Bankruptcy Law is reduced to the 30% if the debtor (a) waives the 120-day term for the satisfaction of its creditors provided for under Article 182-bis, Paragraph 1, letters (a) and (b) of the Italian Bankruptcy Law (therefore implying that the plan must be adequate and capable for the full and timely payment of dissenting creditors); (b) does not previously file a petition for admission to the *concordato in bianco* pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, and (c) does not request the 60-days moratorium pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law.

Pursuant to the new Article 182-septies of the Italian Bankruptcy Law, debtors are entitled to enter into debt restructuring agreements by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal status and economic interests), and can request the court to declare that agreement binding on non-adhering creditors of the same category (a so-called "cram-down"), provided that certain conditions are met, including that non-participating creditors shall be satisfied to a no lesser extent than the liquidation alternative. The law also provides that (i) the agreement shall be of a non-liquidating nature, (ii) the agreement shall contemplate the direct or indirect continuation of the business activity as a going concern, and (iii) all the creditors belonging to the relevant category (and, therefore, affected by the proceeding) have been duly notified of the beginning of the negotiations, have been kept informed and have been notified the debt restructuring agreement and the sanctioning decree (*decreto di omologa*) and the related documentation. If these conditions are met, the remaining 25% of non-participating creditors belonging to the same class of creditors are crammed down; however, non-participating crammed down creditors can challenge the deal and refuse to be forced into it.

Pursuant to Article 11 of The Law Decree 118/2021 the percentage of 75% is lowered to 60% if the reach of the debt restructuring agreement results from the Final Report issued by the Expert at the end of the negotiations pertaining to the *composizione negoziata della crisi*.

Pursuant to the new Article 182 *septies*, paragraph 5, of the Italian Bankruptcy Law, a special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, in such case, the rights of creditors who are not banks or financial intermediaries remain valid.

Similarly, pursuant to the new Article 182 *octies* of the Italian Bankruptcy Law, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and creditors representing 75% of the same class would also bind the non-participating creditors, provided that (A) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the fact that the non-adhering creditors suffer a prejudice that is proportionate and consistent with the recovery strategies undertaken by the debtor, and (B) certain further conditions are met (e.g., all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations have been made able to participate in the negotiations and have received complete and up-to-date information on the debtor's assets, economic and financial situation and on the agreement and its related effects). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

The debt restructuring agreement provided under Article 182 *septies* of the Italian Bankruptcy Law and the standstill agreement provided under Article 182 *octies* of the Italian Bankruptcy Law shall not impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities on non-participating creditors.

Pursuant to the new Article 182-decies of the Italian Bankruptcy Law, introduced by the Law Decree 118/2021, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the debt restructuring agreements. Non-participating creditors maintain their claims towards (i) those who are jointly and severally liable with the debtor, (ii) the debtor's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, debt restructuring agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, provided that, if such shareholders have granted guarantees, they will remain liable as guarantors.

Pursuant to Article 182-quater of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e. before) presentation of a petition for a debt restructuring agreement or a court- supervised Pre-Bankruptcy Composition with Creditors (*finanza ponte*) or granted in execution of the composition with creditors (*finanza in esecuzione*) may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement or the approval of the Pre-Bankruptcy Composition with Creditors.

Moreover, pursuant to the new Article 182-quinquies of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, paragraph

6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-quinques of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 182-quinquies, paragraph 3 of the Italian Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law 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 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 Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("Law Decree 69/2013")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). 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 the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so-called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed.

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. The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who 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 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 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 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

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.

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.

Impacts of the COVID-19 emergency on Insolvency Proceedings

In response to the COVID-19 pandemic, the Italian Government adopted new urgent measures, inter alia, on insolvency matters (in addition to the Law Decree 118/2021 mentioned above) in order to (i) preserve the continuity of companies throughout the COVID-19 pandemic and after its end, with particular regard to those that were trading on a going concern basis before the COVID-19 pandemic, and (ii) ensure the successful outcome of certain insolvency proceedings already pending during the COVID-19 pandemic or already approved by the beginning of the COVID-19 pandemic.

Among such legislative measures, the Italian Government enacted the Liquidity Decree.

According to Article 9 of the Liquidity Decree the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements provides, among other things, the extension of 6 months of the deadlines for fulfillment of the obligations provided in an approved *concordato preventivo* or *accordo di ristrutturazione dei debiti omologati* based on a plan expiring after February 23, 2020 shall be extended by six months. In the procedures for the approval (*omologazione*) of a *concordato* and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), pending on February 23, 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato preventivo* in accordance with Article 161 of the Italian Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-bis of the Italian Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which it has already been held the meeting of creditors but the majorities were not reached according to Article 177 of the Italian Bankruptcy Law.

Also, a set of measures is aimed at "relaxing" directors' duties in connection with insolvency/pre-insolvency scenarios. The rules requiring the recapitalization (or liquidation or transformation into a different company type) of companies whose losses have substantially eroded the share capital will not apply with respect to losses arisen in the financial year ended on December 31, 2020 and until the five subsequent financial years. This measure, originally provided for by Article 6 of the Liquidity Decree, subsequently replaced by Article 1, Paragraph 266, of Law No. 178 of December 30, 2020, is intended to address the risk that the impact of losses arising from the COVID-19 pandemic on the share capital of companies push directors into the unsustainable position of choosing between the following: (i) putting the company into liquidation or into a bankruptcy or insolvency proceedings or (ii) facing potential personal liability as a result of the delay in complying with such obligations.

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 (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in its 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 any one of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors as a whole. 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 estate properties. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

Bankruptcy composition with creditors (concordato fallimentare).

Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

Statutory priorities.

The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "predeductible" claims (i.e. claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Avoidance powers in insolvency.

Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, among others, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. Please note that in the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

Acts ineffective by operation of law.

Under (i) Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (trascrizione) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and (ii) Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

Acts that could be declared ineffective at the request of the bankruptcy receiver.

- The following acts and transactions, if done or made during the period specified below (so-called "**Suspect Period**"), may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

  (i) onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

  (ii) payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

  (iii) pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which were not yet due at the time when the new security was granted; and

  (iv) pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time when the new security was granted.

- The following acts and transactions, if made during the Suspect Period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:

  (i) payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and

  (ii) granting of security interest for debts incurred in the six months prior to the insolvency declaration.

- The following transactions are exempt from claw-back actions:

  (i) payments for goods or services made in the ordinary course of business according to market practice;

  (ii) a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

  (iii) the sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

  (iv) transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law;

(v) a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-bis of the Italian Bankruptcy Law;

(vi) remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

(vii) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third party, the third party was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the Enforcement Action can also be carried out by the creditor against the third-party purchaser.

The Italian Insolvency Code

Please find below a brief description of the main provisions of the Italian Insolvency Code after its entry force on July 15, 2022 which supersedes the Italian Bankruptcy Law.

The two primary aims of the Italian Insolvency Code are to protect the goodwill of the going concern (if any) of the entrepreneur, also through the continuation of all or part of its business with a third-party or to liquidate the entrepreneur's assets for the satisfaction of creditors' claims. The main aim of the "Prodi-bis" procedure or "Marzano" procedure (which remain available to large companies also in the context of the new set of rules, as will be further detailed below), is to maintain employment. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Italian Insolvency Code, the judicial liquidation (*liquidazione giudiziale*) must be declared by a court, based on the insolvency (*insolvenza*) of a debtor upon a petition filed by the debtor itself, the public prosecutor and/or one or more creditors. Insolvency is defined under Article 2, letter (b) of the Italian Insolvency Code as the state of the entrepreneur, manifested by defaults and/or other external elements evidencing that the entrepreneur is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary status of insolvency, in order for a court to hold that a entrepreneur is insolvent. The Italian Insolvency Code also introduced a specific concept of crisis, which is defined under Article 2, letter (a) of the Italian Insolvency Code as the state of the entrepreneur such that it is likely that insolvency will follow, which is manifested by the inadequacy of prospective cash flows to meet obligations in the following 12 months. Both insolvency and crisis are factual situations upon the occurrence of which different instruments provided for by the Italian Insolvency Code may be activated.

In cases where an entrepreneur is facing financial difficulties or temporary cash shortfall and, in general, a state of crisis/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 entrepreneur, 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 insolvency alternatives are available under Italian law for companies in a state of crisis and for insolvent entrepreneurs and, in certain cases, also to entrepreneurs experiencing an economic or financial imbalance such as to make it likely that a state of crisis and/or distress or their insolvency will occur.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the entrepreneur 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 judicial liquidation. 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.

Negotiated Composition for the overcoming of business' crisis (Composizione negoziata per la soluzione della crisi d'impresa)

The "Negotiated Composition for the overcoming of business' crisis (*Composizione negoziata per la soluzione della crisi d'impresa*)" (the "**Negotiated Composition**") was originally introduced in the Italian legal framework by Law Decree No. 118 of August 24, 2021 (the "**Law Decree 118/2021**") and has been subsequently incorporated into the Italian Insolvency Code. It is an out-of-court proceedings, but the court can be involved in the two following circumstances: (i) when the entrepreneur files a petition pursuant to Article 18 of the Italian Insolvency Code requesting the competent court to confirm or modify the Protective Measures of its assets provided for pursuant to Article 18 of the Italian Insolvency Code on the same day as the publication of the request in the relevant Companies' Register (*Registro delle Imprese*) and the acceptance of the Expert (as defined below) or with a subsequent petition and, if necessary, to enact the Interim Measures necessary to complete the negotiations, and (ii) when the entrepreneur files a petition asking the court to authorize certain actions and transactions not falling within the ordinary course of business in accordance with the provisions set forth under Article 22 of the Italian Insolvency Code.

The Negotiated Composition is a proceeding aimed at facilitating the recovery of entrepreneurs which "despite being in conditions of asset or economic and financial imbalance such as to make it likely that financial distress or insolvency will occur, have the potential to remain in the market, including through the sale of the business or a branch of it."

According to Article 12 of the Italian Insolvency Code, the Negotiated Composition can be pursued by enterprises, either commercial (*imprenditore commerciale*) and agricultural (*imprenditore agricolo*), which are undergoing a distressed situation with reference to their assets, their business and/or their financial situation, such that it is likely that a distress/crisis or insolvency will follow. It is, therefore, a procedure aiming at anticipating further deterioration of the entrepreneur's situation. Pursuant to Article 17, paragraph 3, letter d) of the Italian Insolvency Code, inter alia, the entrepreneur or the enterprise filing for a Negotiated Composition (i) shall certify that no judicial winding-up proceedings or similar proceedings are pending towards itself nor requests for the admission to the procedures provided for under Articles 40 of the Italian Insolvency Code, including pursuant to Articles 44, paragraph 1, letter a) and 54, paragraph 3, have been previously filed and (ii) in the event that the application for a Negotiated Composition is dismissed, other than the case where such dismissal is requested by the entrepreneur, may not submit a new request before one year has elapsed after dismissal.

Pursuant to Article 25 of the Italian Insolvency Code, the Negotiated Composition may also apply to group of companies, which may commence one proceeding all together. It should be noted that paragraph 9 of such provision provides for the group companies—at the end of the negotiations—to either enter into one of the agreements referred to in Article 23, paragraph 1 of the Italian Insolvency Code as a group, or use one of the tools referred to under Article 23 of the Italian Insolvency Code, both separately or as a whole group.

The Negotiated Composition is commenced on a voluntary basis only, with the filing by the entrepreneur of a petition for the appointment of a third-party and independent expert (the "**Expert**") to the Secretary General of the relevant Chamber of Commerce by way of a dedicated electronic platform (the "**Platform**"). Pending a procedure for over-indebtedness restructuring agreement or liquidation of assets referred to in Articles 7 and 14-ter of Law No 3 of 27 January 2012 (i.e., *procedimenti di composizione della crisi da sovraindebitamento e di* *liquidazione del patrimonio*), the petition cannot be filed. Pursuant to Article 16 of the Italian Insolvency Code the person who acted as Expert in the context of a *Composizione Negoziata*, shall not have or maintain professional relations with the relevant entrepreneur for at least two years following the termination of such proceedings.

The Expert is appointed within five days upon the filing of the request. The Expert is responsible for facilitating and managing the negotiations between the company, its creditors and any other interested parties, in order to identify a solution to overcome the crisis or the insolvency, including through the transfer of the business or a branch thereof.

The Expert assesses his/her own independence, the adequacy of his/her own professional expertise and his/ her own time availability with respect to the prospected assignment, and, if the outcome of the assessment is positive, notifies his/her acceptance to the entrepreneur and uploads it on the Platform. In case of negative outcome, the Expert confidentially notifies it to the commission, which appoints a new Expert. If the Expert accepts the appointment, he/she meets with the entrepreneur in order to assess whether there are concrete and real chances of recovery. The entrepreneur attends the meeting personally, and can be assisted by its advisors.

If the Expert finds that there are actual and real chances of recovery (*risanamento*), he/she meets with the parties involved in the entrepreneur's recovery process and presents the possible strategies, scheduling periodic meetings close in time to one another. During the negotiations, all the parties involved must act in good faith and with fairness, must cooperate and are bound by confidentiality on the entrepreneur's situation, on the actions carried out or planned by the entrepreneur and on the information received in the course of the negotiations. The entrepreneur must provide a complete and clear representation of his/her situation and manage his/her assets without causing unfair prejudice to the creditors. Banks and financial intermediaries, their agents, and, in case of credit assignment and/or transfer, their assignees or transferees, must take part in the negotiations actively and in an informed manner, and the access to the Negotiated Compositions does not, by itself, constitute ground for suspending or revoking (or withdrawal from) banking overdraft facilities made available to the entrepreneur. Specific provisions apply to negotiations involving employment contracts.

If the Expert finds that there are no real chances of recovery (*risanamento*), after the meeting with the entrepreneur or thereafter, he/she has to promptly notify the entrepreneur and the secretary general of the chamber of commerce, which provides for the dismissal of the entrepreneur's petition. The Expert's appointment is considered terminated if, after 180 days from its appointment, the parties have not agreed on a solution (that can also be proposed by the Expert) for overcoming the entrepreneur's distressed situation. However, the Expert's appointment can continue up to further 180 days (pursuant to Article 17, paragraph 7 of the Italian Insolvency Code) if (i) all the parties involved in the negotiations require so and the Expert agrees, or (ii) the prosecution of the appointment is required by the fact that the entrepreneur has filed a petition to the court pursuant to Article 19 and/ or Article 22 of the Italian Insolvency Code.

Pursuant to Article 17, paragraph 8 of the Italian Insolvency Code, at the end of his/her appointment the Expert issues a final report (the "**Final Report**"), uploads it on the Platform, and notifies it to the entrepreneur and to the court that has granted the Protective Measures and Interim Measures (if any) which declares the termination of their related effects.

Pursuant to Article 18 of the Italian Insolvency Code, together with the petition for appointment of the Expert, or with a subsequent petition, the entrepreneur can request the application of Protective Measures, which may also be limited, upon entrepreneur request, to certain creditors' claims or to a specific category of creditors. The Protective Measures consist of the following: from the date of publication of the relevant petition, preexisting creditors cannot obtain preemption rights (*diritti di prelazione*) unless agreed upon by the entrepreneur and all enforcement and interim actions against its assets and the goods and rights used for conducting its business are stayed. However, as opposed to what happens in the composition with creditors proceedings (*concordato preventivo*), payment of preexisting creditors is not forbidden. The Protective Measures do not apply to employees' claims.

From the date of publication of the petition requesting the application of the Protective Measures until the date of conclusion of the negotiations or dismissal of the petition for the Negotiated Composition, the ruling of opening the judicial liquidation proceedings (*sentenza di apertura della liquidazione giudiziale*) or the declaration of the insolvency of the entrepreneur cannot be declared by the court, unless such Protective Measures were previously revoked.

The creditors whose rights are affected by the Protective Measures cannot unilaterally refuse to perform their obligations under the contracts in place with the entrepreneur, nor terminate such contracts, nor anticipate their expiration date, nor amend them with detrimental consequences for the entrepreneur, solely on the ground of the missed payment of claims arisen prior to the publication of the petition requesting the application of the Protective Measures. However, the creditors may suspend the fulfilment of the pending contracts from the publication of the petition requesting the Protective Measures until such measures are obtained. If the entrepreneur applies for the Protective Measures (which, as said, are immediately effective), it must simultaneously file the same request to the competent court, in order to allow a judge to check the said measures and to confirm them or, if necessary, to modify them. In the absence of this request, the Protective Measures will be ineffective.

The duration of the Protective Measures and, if necessary, the Interim Measures, is established by an order of the court in a range between 30 and 120 days, and, upon request of the parties and after obtaining the opinion of the Expert, can be extended for the time required to positively finalize the negotiations up to a maximum of 240 days, given that the judge may discretionary order the revocation of such Protective Measures or shorten their duration.

During the Negotiated Composition the entrepreneur remains able to continue the ordinary and extraordinary management of the company, subject to certain conditions. More precisely, pursuant to Article 21 of the Italian Insolvency Code, pending the negotiations, the entrepreneur may carry out acts pertaining to ordinary activity, and, upon written notice to the Expert, carry out acts pertaining to extraordinary activity or make payments non-consistent with the negotiations nor with the perspectives of recovery, in such a way as to avoid prejudicing the economic and financial sustainability of the business. Furthermore, if during the course of the negotiations, it appears that the entrepreneur is insolvent but there are real prospects of recovery, the entrepreneur shall manage the enterprise in the best interests of the creditors, subject to his liabilities.

If the Expert believes that a certain act causes prejudice to the creditors, to the negotiations or to the perspectives of recovery, he/she reports it in writing to the entrepreneur and to the enterprise's control body. If, notwithstanding the Expert's report, the entrepreneur carries out the relevant act, the entrepreneur gives immediate notice to the Expert, who may file his/her dissent for the registration with the companies' register. At the request of the entrepreneur, one or more creditors or the Expert, the Court that has granted the Protective Measures and/or Interim Measures may, at any time, revoke such measures or reduce their duration when they do not meet the aim of ensuring the positive outcome of the negotiations or they appear disproportionate in relation to the prejudice caused to the creditors, pursuant to Article 19, paragraph 6 of the Italian Insolvency Code. If the Protective Measures are revoked, the prohibition of the obtainment of preemption rights by preexisting creditors ceases to be effective for the date on which the Protective Measure has been revoked.

Pursuant to Article 22 of the Italian Insolvency Code, the court, upon the entrepreneur's request and to the extent that this is consistent with the continuation of the business as a going concern and with the maximization of the creditors' recovery, may authorize:

- the entrepreneur or one or more companies belonging to the same group to incur new super-senior indebtedness (*prededucibile*) pursuant to Article 6 of the Italian Insolvency Code;
- the entrepreneur to incur new super-senior indebtedness ("*prededucibile*") via shareholders' financing pursuant to Article 6 of the Italian Insolvency Code; and
- the entrepreneur to transfer its business, or certain business branches, without the effects provided under Article 2560, paragraph 2, of the Italian Civil Code, without prejudice to Article 2112 of the Italian Civil Code. However, in such case it will be for the court itself to identify the measures it considers appropriate, taking also into account the requests of the parties concerned, in order to protect all the interests involved. The court shall also verify the compliance with the competitiveness principle in choosing the purchaser.

Pursuant to Article 23 of the Italian Insolvency Code, the Negotiated Composition can terminate as follow:

- execution of an agreement between the entrepreneur and one or more creditors, which constitutes cause for application of the reward measures provided under Article 25-bis, paragraph 1 of the Italian

Insolvency Code if, according to the Expert's Final Report, such agreement ensures the continuation of the business as a going concern for at least 2 years;

- execution of a standstill agreement (*convenzione di moratoria*) pursuant to Article 62 of the Italian Insolvency Code;
- execution of an agreement signed by the entrepreneur, by the creditors and by the Expert, with the effects provided under Articles 166, paragraph 3, lett. d) and 324 of the Italian Insolvency Code. With such agreement the Expert acknowledges that the reorganization plan (*piano di risanamento*) seems to be consistent with the composition of the insolvency and crisis of the entrepreneur.

At the end of the negotiations, if none of the above mentioned agreement is executed, the entrepreneur may alternatively:

- file a petition requesting the sanctioning of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*) pursuant to Articles 57, 60 and 61 of the Italian Insolvency Code. The percentage referred to under Article 61, paragraph 2, letter c) of the Italian Insolvency Code is reduced to 60% if the achievement of the agreement results from the Final Report of the Expert.
- arrange an out-of-court reorganization plan (*piano attestato di risanamento*) pursuant to Article 56 of the Italian Insolvency Code;
- file a petition for admission to the *concordato semplificato per la liquidazione del patrimonio* provided for pursuant to Article 25-sexies of the Italian Insolvency Code;
- enter into one of the insolvency proceedings provided under the Italian Insolvency Code or in the Prodi-bis procedure or the Marzano procedure (see below);

Furthermore, pursuant to Article 24 of the Italian Insolvency Code:

- the actions and transactions authorized by the court pursuant to Article 22 of the Italian Insolvency Code shall maintain their effects in the event of subsequent sanctioned debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti omologato*), sanctioned court-supervised composition with creditors proceedings (*concordato preventivo omologato*), opening of the judicial liquidation proceeding (*apertura della liquidazione giudiziale*), a sanctioned restructuring plan (*piano di ristrutturazione soggetto ad omologazione*) provided for pursuant to Article 64-bis of the Italian Insolvency Code, a compulsory administrative winding-up (*liquidazione coatta amministrativa*), extraordinary administration for large insolvent companies (*amministrazione straordinaria*) or simplified composition with creditors proceedings for liquidation purposes (*concordato semplificato per la liquidazione del patrimonio*) provided for pursuant to Article 25-sexies of the Italian Insolvency Code homologated (*omologato*) by the court;
- the payments of debts that are immediately due and payable, any onerous transactions and the granting of security interests made after the Expert accepted its appointment, are exempted from claw-back actions pursuant to Article 166, paragraph 2, of the Italian Insolvency Code if they are consistent with the development and the status of the negotiations and with the perspectives of recovery (*risanamento*) in place at the time the payment/transaction/granting of security interest was made;
- acts pertaining to the entrepreneur's extraordinary activity and payment made after the Expert accepted its appointment are subject to claw-back actions pursuant to Article 165 and Article 166 of the Italian Insolvency Code if the Expert has registered his/her dissent in the companies' register pursuant to Article 21, paragraph 4 of the Italian Insolvency Code or if the competent court has denied its authorization pursuant to Article 22 of the Italian Insolvency Code; and
- payment and transactions made after the Expert accepted its appointment, which the Expert assesses to be consistent with the development of the negotiations and with the perspectives of recovery (*risanamento*) of the enterprise, or which have been authorized by the court pursuant to Article 22 of the Italian Insolvency Code, benefit of exemptions from the potential application of certain criminal sanctions.

Potential outcomes of the Negotiated Composition: the simplified composition with creditors proceedings for liquidation purposes (concordato semplificato per la liquidazione del patrimonio)

Article 25-sexies of the Italian Insolvency Code introduces a simplified court-supervised pre-judicial liquidation composition with creditors with liquidation purpose (*concordato semplificato per la liquidazione del patrimonio*) (the "**Simplified Composition**").

If, in its Final Report, in the context of a Negotiated Composition, the Expert states that the negotiations did not have a positive outcome (i.e. the entrepreneur has not been able to reach an agreement with its creditors) but have been conducted according to fairness and good faith and that the options provided under Article 23, paragraphs 1 and 2, letter b), of the Italian Insolvency Code are not feasible, within 60 days following the notification of the Final Report the entrepreneur may file to the competent court where the entrepreneur has its centre of main interests a petition for admission to the Simplified Composition, together with a liquidation plan and the documents listed under Article 39 of the Italian Insolvency Code. The petition for the Simplified Composition is then published in the companies' register within the day following the filing with the court. From the date of such publication, the effects provided under Articles 6, 46, 94 and 96 of the Italian Insolvency Code will apply.

Following the filing of such application, the court (i) appoints an "auxiliary" (*ausiliario*) to, inter alia, express an opinion on the entrepreneur's proposal; (ii) orders that the proposal, together with the opinion of the auxiliary and the Final Report of the expert, be delivered by the entrepreneur to the creditors appearing on the list filed by the entrepreneur itself; and (iii) sets the date of the hearing for the court homologation (*omologazione*). Creditors and any third-party which has any interests are entitled to object to the court homologation (*omologazione*) within ten days before the date fixed for the hearing.

If the court, having verified the legitimacy of the objection and the procedure, as well as compliance with priority creditor claims and the feasibility of the liquidation plan, finds that the proposal does not prejudice the creditors with respect to the alternative of a judicial liquidation and that, in any event, it ensures a benefit to each creditor, it approves the composition with creditors proposal by decree, by which it shall also appoint a liquidator.

The court issues a decree of homologation (*omologazione*) the Simplified Composition when it finds that (i) the proceeding has been carried out in accordance with relevant laws and regulations and the adversarial principle among the parties (*contraddittorio*); (ii) the proposal is compliant with preemption rights (*cause di prelazione*) and the liquidation plan is feasible, and (iii) the proposal does not cause a prejudice to the creditors compared to what they would receive in case of judicial liquidation of the entrepreneur, and in any case ensures that each creditor receives a certain recovery. With the approval decree, the court also appoints a liquidator.

The parties may file an objection (*opposizione*) to the abovementioned decree within 30 days after having been notified of the same.

Pursuant to Article 25-septies of the Italian Civil Code, the liquidation plan may also include an offer by a pre-identified third-party to transfer the business or one or more branches of the business or specific assets to such third-party, even before the approval: in this case, the judicial liquidator, having verified the absence of better solutions on the market, may implement the offer.

Out-of-court certified recovery plans (piani attestati di risanamento) pursuant to Article 56 of the Italian Insolvency Code

Out-of-court debt restructuring agreements are based on restructuring plans (*piani attestati di risanamento*) ("**Certified Recovery Plans**") addressed to the creditors and prepared by entrepreneurs who are either insolvent or in a state of crisis, in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the entrepreneur and enrolled in the Register of Auditors and Accounting Experts (*Registro dei Revisori Contabili*) 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 independent expert. The independent 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.

Certified Recovery Plans and the relevant debt restructuring arrangements executed in implementation thereof 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. Also, such plans and relevant arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these Certified Recovery Plans are freely negotiable, provided they are finalized at restructuring the entrepreneur's indebtedness and rebalancing its financial situation. However, the possibility to adopt such tools for liquidation purposes is disputed, as it is argued they shall provide for the restructuring of the entrepreneur's indebtedness and the rebalancing its financial condition on a going concern basis. Unlike a Negotiated Composition, Debt Restructuring Agreements (as defined below), Simplified Composition and other proceedings provided for under the Insolvency Code, Certified Recovery Plans do not offer the entrepreneur any protection against enforcement proceedings and/or interim/precautionary actions of third-party creditors.

The Italian Insolvency Code provides that, should these plans fail, and the entrepreneur be declared insolvent, the payments and/or acts carried out, and/or security interest granted on the entrepreneur's assets for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to any claw-back action (*azione revocatoria*), including the claw-back action provided for pursuant to Article 2901 of the Italian Civil Code, as provided for pursuant to Article 166, paragraph 3, letter d) of the Italian Insolvency Code; 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 of the plan, the report by the independent expert and the arrangements is possible upon a entrepreneur'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-judicial liquidation agreement or a debt restructuring agreement. Since the reorganization plan (or the agreements entered into to implement it) is not subject to any court approval or judicial review, it cannot be excluded that the abovementioned exemption effects will be challenged in the event of subsequent judicial winding-up, if the competent court were to assess that the reorganization plan was not feasible at the time it was certified by the independent expert.

The Italian Insolvency Law sets forth specific rules regarding Certified Recovery Plans and the restructuring arrangements entered into with creditors in implementation thereof, which must be complied with for such plans and arrangements to grant protection against claw-back actions and potential civil and criminal responsibilities. More in detail, a Certified Recovery Plan must be supported by adequate documentation representing the financial and commercial situation of the entrepreneur and which also needs to indicate, among others, the causes of the crisis and the new resources which will be made available to the entrepreneur and the industrial plan. Moreover, they must be suitable for the purpose of assuring the restructuring of the indebtedness of the entrepreneur and rebalancing its financial position and, in case of its failure and subsequent challenge (*impugnazione*) before an Italian court, it must not be deemed as being unreasonable.

Debt Restructuring Agreements with creditors (accordi di ristrutturazione dei debiti) pursuant to Article 57 of the Italian Insolvency Code

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) provided for pursuant to Article 57 and ff. of the Italian Insolvency Code ("**Debt Restructuring Agreements**") may be entered into by the entrepreneur with creditors holding at least 60% of the outstanding indebtedness, to be homologated (*omologato*) by the competent court and are based on a restructuring plan. An independent expert appointed by the entrepreneur must certify the truthfulness of the business and accounting data provided by the company and declare and that the underlying agreement is feasible and that the Debt Restrucutring Agreement and the underlying restructuring plan ensure that the indebtedness vis-à-vis non-participating creditors can be fully satisfied within the following terms in a 120-day term from: (i) the date of homologation (*omologazione*) of the Debt Restructuring 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 said homologation (*omologazione*); or (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 at the date of the said homologation (*omologazione*).

Pursuant to Article 57 of the Italian Insolvency Code, only an entrepreneur who is insolvent or facing a state of crisis (as described above) can initiate this process and request the court's homologation (*omologazione*) of the Debt Restructuring Agreement entered into with its creditors.

The Debt Restructuring Agreement is published in the companies' register and becomes effective as of the day of its publication. Creditors and other interested parties may challenge the agreement within 30 days from the publication of the agreement in the companies' register. After having settled with the opposition (if any), the court will homologates (*omologa*) the Debt Restructuring Agreement by issuing a decree, which can be appealed within 30 days of its publication pursuant to Article 51 of the Italian Insolvency Code.

The Italian Insolvency Code does not expressly provide for any indications concerning the contents of the Debt Restructuring Agreement or the underlying plan. The said plan can therefore provide, inter alia, either for the entrepreneur or a third-party carrying out the business, or the sale of the business, 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. Article 58, paragraph 1 of the Italian Insolvency Code sets the rule for when substantial amendments are made to the plan. More precisely, in the event of substantial amendments to the plan before the approval, the report issued by the expert and the consent to the Debt Restructuring Agreement expressed by creditors shall be renewed. The expert's report shall also be renewed in the event of substantial amendment. In the event of substantial amendments after the court homologation (*omologazione*), the entrepreneur shall make such amendments as are appropriate to ensure the implementation of the Debt Restructuring Agreement, by requesting the update of the certified report issued by the expert having the requirements set forth in Article 57, paragraph 4 of the Italian Insolvency Code. In this case, the renewed certified report, together with the amended restructuring plan, shall be published in the companies' register, giving appropriate notice to the creditors by registered letter or by certified email (PEC). The parties may file an objection (*opposizione*) to the abovementioned decree within 30 days after having been notified of the same.

With the petition for the approval by the court of the Debt Restructuring Agreement (or at any time pending the procedure) the entrepreneur may request to be granted Protective Measures (e.g. a stay of enforcement and interim actions against its assets or a prohibition to the creation by creditors of security interest (unless it is agreed in the debt restructuring agreement) in relation to pre-existing debts, etc.) (the "**Measures**"). Such Measures can also be requested (i) pursuant to Article 54, paragraph 3 of the Italian Insolvency Code, to the court by the entrepreneur pending negotiations with creditors (i.e., prior to the filing of the petition for homologation (*omologazione*) of the Debt Restructuring Agreement), subject to certain conditions, or (ii) pursuant to Article 44 of the Italian Insolvency Code, together with a pre-petition for the access to one of the restructuring tools provided for by the Italian Insolvency Code. According to Article 54, paragraph 2, of the Italian Insolvency Code, provided that the petition for approval of the Debt Restructuring Agreement includes the relevant request for Measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue any enforcement or interim/conservative actions against the assets of the entrepreneur or the goods or rights used for conducting its business (or, in any event, to take any initiatives prohibited under the relevant Measures). No dispossession of entrepreneur occurs in respect of against its assets and the goods and rights used for conducting its business are stayed, but the court may appoint a judicial commissioner to oversee the proceedings and must do so in case petitions for the opening of judicial liquidation are pending, when it is necessary for the protection of the parties who filed such petitions. It is a court-supervised procedure, which can take from a few months up to more than a year (the duration of the proceedings is generally influenced by challenges). Creditors entering into the Debt Restructuring Agreement are not required to receive the same treatment (*i.e.*, they are free to reject the proposal and to protect their interests otherwise) and, save for the exception provided for Debt Restructuring Agreements with extended effects (*accordi di ristrutturazione ad efficacia estesa*) provided pursuant to Article 61 of the Italian Insolvency Code applies (see below), no cram-down is applicable to third-party non-adhering creditors, who shall be fully re-paid within 120 days from: (i) the date of homologation (*omologazione*) of the Debt Restructuring 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 said homologation (*omologazione*); or (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 at the date of the said homologation (*omologazione*), as per respectively Article 57, paragraph 3 letters a) and b).

The court, having verified the completeness of the documentation filed by the entrepreneur, sets the date for a hearing to be held no earlier of 15 days from the notification of the relevant filing. Pending such deadline, creditors and other interested parties may file an opposition to the approval. At such hearing, the court decides upon any opposition and assesses whether the conditions for the approval are met.

Pursuant to the Article 61 of the Italian Insolvency Code, entrepreneurs are entitled to enter into Debt Restructuring Agreements by obtaining the approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal position and economic interests) and can request the court to declare that agreement binding on the non-adhering creditors belonging to the same category (so called "cram down").

More in detail, for Debt Restructuring Agreements with extended effects (*accordi di ristrutturazione ad efficacia estesa*) provided pursuant to Article 61 of the Italian Insolvency Code which were previously only permitted in relation to debts owed to banks and financial intermediaries where such debts represented at least 50% of the total indebtedness - can now be applied to any category of creditors, provided that the following requirements, inter alia, must be complied with: (i) all the creditors belonging to the same category have been informed of the start of the negotiations and have been able to participate in them in good faith and have received complete and up-to-date information on the entrepreneur's assets, economic and financial situation as well as on the Debt Restructuring Agreement and its effects; (ii) the Debt Restructuring Agreement provides for the continuation of the business activity either directly or indirectly pursuant to Article 84 of the Italian Insolvency Code; (iii) the claims of the consenting creditors belonging to a same category represent at least 75% of all the claims belonging to the same category; (iv) the non-adhering creditors belonging to the same category to which the effects of the agreement are extended can be satisfied under the agreement for an amount not lower than the amount they would receive with the judicial liquidation being understood that a creditor may hold claims in more than one category; and (v) the entrepreneur has notified the agreement, the application for court approval and the documents attached thereto to the creditors to be crammed down. The percentage of 75% is lowered to 60% if the debt restructuring agreement is referred to in the Final Report issued by the Expert at the end of the negotiations pertaining to the Negotiated Composition.

Moreover, pursuant to the new Article 61, paragraph 5, of the Italian Insolvency Code, a special provision is set forth for entrepreneurs whose financial indebtedness is at least 50% of their total indebtedness: in this situation the Debt Restructuring Agreement may identify one or more categories of creditors which are banks and financial intermediaries which have a homogeneous legal position and economic interests and extend the effects of the agreement to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if it does not contemplate the direct or indirect continuation of the business activity as a going concern. However, in such case the rights of creditors who are not banks or financial intermediaries remain valid.

Similarly, pursuant to the new Article 62 of the Italian Insolvency Code, a standstill agreement (*convenzione di moratoria*) entered into between a entrepreneur and its creditors representing 75% of the same class would also bind the non-participating creditors, provided that (A) an independent expert meeting the requirements provided under Article 62, paragraph 3 of the Italian Insolvency Code has been appointed and certifies (i) the truthfulness of the business data, (ii) the attitude of the standstill agreement to temporarily regulate the effects of the crisis and (iii) the fact that the treatment reserved to non-adhering creditors is at least equal to the one they could obtain in the context of a judicial winding up, and (B) certain further conditions are met (e.g., all the creditors belonging to the relevant category have been duly noticed of the beginning of the negotiations, have been made able to participate in the negotiations and have received complete and up-to-date information on the entrepreneur's assets, economic and financial situation and on the agreement and its related effects). Non-adhering crammed-down creditors can challenge the standstill agreement within 30 days after having been notified of the same.

In no case Debt Restructuring Agreements with extended effects provided for under Article 61 of the Italian Insolvency Code and standstill agreements provided under Article 62 of the Italian Insolvency Code may impose on the non-adhering creditors, inter alia, performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

Furthermore, Article 60 of the Italian Insolvency Code provides for the so called facilitated Debt Restructuring Agreements ("*accordi di ristrutturazione agevolati*"). Such particular kind of Debt Restructuring Agreements may be entered into with creditors representing as little as 30% of the total indebtedness (instead of the 60% generally required under Article 57, paragraph 1 of the Italian Insolvency Code) provided that the entrepreneur: (i) does not request a standstill for the repayment of non-consenting creditors (usually provided for by law, for a period of 120 days from the court approval of the agreement or from the maturity date of the relevant obligations, in "ordinary" restructuring agreements); and (ii) has not previously requested to the court the granting of protective Interim Measures on its assets and waives to the right to such measures.

By virtue of Article 59 of the Italian Insolvency Code, Article 1239 of the Italian Civil Code applies to the creditors that have adhered to the Debt Restructuring Agreement. Hence, non-participating creditors maintain their claims towards (i) those who are jointly and severally liable with the entrepreneur, (ii) the entrepreneur's guarantors and (iii) debtors by way of right of recourse (*regresso*). Unless agreed otherwise, Debt Restructuring

Agreements produce effect towards the shareholders who are jointly liable with non-limited liability companies, provided that, if such shareholders have granted guarantees, they will remain liable as guarantors.

The provisions of Articles 99, 101 and 102 of the Insolvency Code on super-senior financing (so called "*Finanziamenti Prededucibili*") of the Italian Insolvency Code apply to both Debt Restructuring Agreements and to the court-supervised compositions with creditors proceedings (*concordato preventivo*) outlined below (see below).

Furthermore, pursuant to Article 73 of the Italian Insolvency Code, in case of revocation of the homologation (*omologa*), the court, upon the debtor's petition, shall order the conversion to a judicial liquidation procedure. If the revocation results from acts of fraud (*atti in frode ai creditori*) or non-performance of the obligations arising under the Debt Restructuring Agreement, the petition for conversion may also be proposed by creditors or by the public prosecutor. In case of conversion, the court shall grant additional time to the debtor aimed at supplementing the documentation and shall act in accordance with Article 270 of the Italian Insolvency Code.

Composition with creditors proceedings (concordato preventivo)

A company which is insolvent or in a situation of crisis (as defined above) 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 insolvency proceedings (so called "*concordato preventivo*"). 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 (included debts not yet due) of €0.5 million. Only the debtor can file a petition with the court for a *concordato preventivo* with the court based in the location of the debtor's main office. The debtor must file the petition together with, among others, a restructuring plan containing an analytic description of manner and timing of the fulfillment of the proposal 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 by the registry of the court and communicated to the public prosecutor. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, 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. According to Article 54, paragraph 2, of the Italian Insolvency Code, provided that the petition for the admission to the *concordato* proceedings includes the relevant request for Measures, from the date of publication of the petition in the companies' registry, it is prohibited to commence or continue the enforcement and the conservative actions (or, in any event, to take any initiatives prohibited under the relevant Measures). As already described with reference to debt restructuring agreements, at any time pending the proceedings, the debtor may request to be granted Measures, which can also be requested pursuant to Article 44 of the Italian Insolvency Code, together with a pre-petition for the access to one of the restructuring tools provided for by the Italian Insolvency Code.

The composition proposal submitted by the entrepreneur within the *concordato preventivo* 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 *concordato preventivo* on a going concern basis (*concordato con continuità aziendale*), 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 entrepreneur making the composition proposal; (iii) the organization of creditors into classes (which is mandatory in certain cases provided under the Article 85 of the Italian Insolvency Code), provided that each class is composed of creditors having homogeneous legal positions and economic interests; 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. Save for the provisions provided for under Article 109 of the Italian Insolvency Code with respect to the creditors' rights to vote on the composition proposal, pursuant to Article 86 of the Italian Insolvency Code in the context of a composition with creditors on a going concern basis (*concordato con continuità*), unless the liquidation of the assets encumbered by security interests, the restructuring plan underlying the composition proposal may provide for a standstill for the repayment of secured creditors. The repayment of secured creditors (*creditori privilegiati*) pursuant to

Article 2751-bis, paragraph 1 of the Italian Civil Code (*i.e.* employees receivables secured by a general privilege over the movable assets of the entrepreneur etc.) can be subject to a standstill not exceed a period of 6 months from the homologation (*omologazione*) of the *concordato preventivo*, while for other creditors the standstill can be longer.

The *concordato preventivo* proposal may also provide, inter alia: (i) the continuation of the business by the entrepreneur as going concern; or (ii) the transfer of the business to one or more companies (*concordato con continuità aziendale*) as well as for a particular composition with creditors proceeding through which any assets that are no longer necessary to run the business of the company are liquidated (*concordato misto*). According to Article 84, paragraph 3 of the Italian Insolvency Code, the *concordato misto* qualifies as a *concordato con continuità aziendale*, regardless the "portion" of business for which going concern is envisaged. In these cases, the plan and the petition for the *concordato preventivo* must 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 must 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. Existing contracts, even if entered with governmental bodies, are automatically not to be terminated by admission to procedure.

Article 91 of the Italian Insolvency Code provides that, if the composition with creditors' plan, includes an offer for the sale of the entrepreneur's assets or the sale of a going concern of the entrepreneur to an identified third-party, the court or the delegated judge shall order that for appropriate publicity to be given to the offer itself in order to acquire competing offers (*offerte concorrenti*). If expressions of interest are received, the court or the delegated judge, by decree, shall order the opening of the competitive proceeding. Furthermore pursuant to Article 91, paragraph 4, the judicial decree referred above establishes the procedures for the submission of irrevocable offers, providing that in all cases, among others, the following is ensured: (a) their comparability, (b) the requirements for the participation of the bidders, (c) the forms and timing of access to relevant information, (d) any limits on their use, (e) the manner in which the judicial commissioner must provide them to those who request them, (f) the manner in which the competitive procedure is to be conducted, (g) the minimum increase in the consideration to be provided by the subsequent offers, (h) the guarantees to be given by the bidders, (i) the forms of publicity, and (l) the date of the hearing for the evaluation of the bids if the sale takes place before the court. With the sale or with the assignment, whichever is earlier, to a person other than the original bidder identified in the plan, the latter and the entrepreneur are released from their obligations towards each other and accordingly the entrepreneur shall amend the proposal and plan in accordance with the outcome of the competitive proceeding.

Pursuant to Article 84, paragraph 4, the Italian Insolvency Code, in order to strengthen the position of the unsecured creditors, a *concordato preventivo* for liquidation purposes (*concordato liquidatorio*) (i.e., a composition with creditors 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 (i) external resources are contributed which increase the assets available at the time of the filing of the relevant petition by at least 10% and (ii) the unsecured creditors (either originally unsecured or unsecured due to the write-off of their secured claims) are paid in a percentage equal to 20% of their total claims. In this respect, it should be noted that resources contributed for the purpose of a *concordato preventivo* for liquidation purposes (*concordato liquidatorio*) may be distributed notwithstanding the provisions set forth under Articles 2740 and 2741 of the Italian Civil Code provided that such distribution complies with the 20% requirement set forth above (hence without having to comply with the statutory priority rules). Resources contributed are considered as "external" when provided for any reason by the entrepreneur's shareholders without obligation of repayment or subordination, in relation to which the plan provides them to be for the sole benefit of the creditors. This provision does not apply to composition with creditors proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

Under the *concordato preventivo*, there is no dispossession of the entrepreneur who accordingly retains management powers under the supervision of a court-appointed official (*commissario giudiziale*) and the delegated judge (*giudice delegato*). From the date of the publication of the petition to the date on which the court sanctions the *concordato preventivo*, the entrepreneur is entitled to operate in the ordinary course of its business, although extraordinary transactions require the prior written approval of the court. Provided that the abovementioned steps are taken, during this time, all Enforcement Actions, precautionary actions and Interim Measures sought by the creditors, whose claims accrued prior to the filing of the petition by the entrepreneur, are stayed. The accrual of interests is suspended for the same timeframe, except for claims secured by pledges, mortgages, liens or privileges (*privilegi*). Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such pre-existing creditors. Any act, payment or security executed or created after the filing of the *concordato preventivo* application and in accordance with its rules and procedures is exempt from claw-back action. The entrepreneur is also exempt from certain bankruptcy criminal offenses provided under Articles 322, third paragraph ("preferential bankruptcy"), and 323 ("simple bankruptcy") of the Italian Insolvency Code, in relation to acts and payments made in execution of the Composition with Creditors and/or in relation to super-senior financings and payment of pre-existing receivables authorized under Articles 99, 100 and 101 of the Italian Insolvency Code. Claims arising from acts lawfully carried out by the entrepreneur during the *concordato preventivo* proceedings rank super senior (*prededucibili*) also in the event of a subsequent judicial winding-up (see Statutory priorities below) and shall be paid pending the proceedings within the relevant due date.

The terms and the performance of the outstanding contracts which have been entered into, from time to time, by the entrepreneur are not automatically affected by the *concordato preventivo* proceeding and normally continue pending the procedure, any agreement to the contrary being ineffective. However, pursuant to Article 97 of the Italian Insolvency Code, the entrepreneur may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*) if the continuation of such agreements is inconsistent with the prospects and the execution of the composition with creditors' plan, 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 entrepreneur's request, the pending agreements can also be suspended for a period of time (a) between 30 and 60 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*) or in the event where filings for a judicial liquidation proceeding are pending, renewable just once. When the composition proposal together with the relevant plan have been submitted, the suspension may also be authorized by the court for a further duration, which, however, may not exceed thirty days from the date of the decree opening the procedure, which may not be further extended. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the *concordato preventivo* procedure.

For details regarding super senior financing, please see below.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary and simplified petition pursuant to Article 44 of the Italian Insolvency Code. For sake of clarity, under Italian Insolvency Code, the simplified petition may be utilized by the entrepreneur to access either a Debt Restructuring Agreement or a restructuring plan subject to approval by the court (*piano di ristrutturazione soggetto ad omologazione*) or a *concordato preventivo*. The entrepreneur may file such petition, reserving the right to submit the underlying plan, the proposal and all relevant documentation (or the Debt Restructuring Agreement, or the restructuring plan subject to approval by the court (*piano di ristrutturazione soggetto ad omologazione*)) within a period assigned by the court (a) between 30 and 60 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*) or in the event where filings for a judicial liquidation proceeding are not pending. If the court accepts such preliminary petition, it may, among other things: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the entrepreneur has carried out one of the activities under Article 106 of the Italian Insolvency Code (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. As mentioned above, filing the simplified petition, the entrepreneur may request the application of protective and Interim Measures.

Pursuant to Article 44, paragraph 1, letter c) of the Italian Insolvency Code, 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 entrepreneur 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 simplified petition 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 judicial winding-up. If the activities carried out by the entrepreneur appear to be clearly inappropriate to the preparation of the "full" application, the court may, ex officio, after hearing the entrepreneur and if appointed the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the simplified petition and until the decree of admission to the *concordato preventivo*, 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, and the payment of claims accrued prior to the filing (see below). Claims arising from acts lawfully carried out by the distressed company after the filing of the *concordato preventivo* petition (including preliminary petition) have super priority (*prededucibilità*) in case of a subsequent judicial liquidation.

During the *concordato preventivo*, the payment of receivables accrued prior to the filing of the petition (preliminary and simplified petition pursuant to Article 44 of the Italian Insolvency Code) is prohibited. However, under Article 100 of the Italian Insolvency Code, in the event of a *concordato preventivo* on a going concern basis:

- the entrepreneur may request the court to be authorized to pay pre-existing receivables relating to the purchase of goods or services and the remunerations due to workers employed in the business whose continuation is envisaged under the plan, if an independent expert certifies that they are essential for business continuity and to ensure the best satisfaction of creditors (such expert's certificate is not necessary if the payment if made with funds made available to the entrepreneur on a non-refundable basis or subordinated to the prior satisfaction of the creditors)

- the entrepreneur may repay, in accordance with the relevant contractual terms, the installments due under a loan agreement which is secured by way of a security interest over the assets used in the business, provided that: (a) at the date of the filing of the petition, the entrepreneur has fulfilled its obligations or the court authorizes the payment of the debt for principal and interest due at that date; and (b) an expert meeting the requirements set forth in Article 52, paragraph 3, of the Italian Insolvency Code certifies (i) that such payments are essential for the continuation of the business activity and functional to ensuring the best satisfaction of the creditors (as already required by Article 100 of the Italian Insolvency Code) and, (ii) that the secured claims can be fully satisfied with the proceeds of the liquidation of the asset carried out at market value and that the repayment of the installments due does not prejudice the rights of the other creditors.

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 schedules a specific period of time during which creditors can express their vote. 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).

Pursuant to Article 90 of the Italian Insolvency Code provides for the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the entrepreneur) holding at least 10% of the aggregate claims against a entrepreneur to present an alternative plan (*proposta concorrente*) to the entrepreneur's plan - within 30 days prior from the related creditors' vote on the entrepreneur's plan - in a court supervised composition with creditors proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the entrepreneur does not ensure satisfaction of at least 30% of the unsecured claims (which percentage is reduced to 20% in case the entrepreneur has filed for a Negotiated Composition prior to entering into the *concordato preventivo*).

The *concordato preventivo* is voted on within the period of time scheduled by the court (which, pursuant to Article 104, paragraph 5 of the Italian Insolvency Code is doubled in the presence of noteholders) 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, or (b) the majority of the receivables admitted to vote is reached the majority of the classes (in case of *concordato preventivo* for liquidation purposes) or all the classes (in case of *concordato preventivo* on a going concern basis). Pursuant to Article 109, paragraph 1, of the Italian Insolvency Code, in case one creditor holds more than the majority of receivables admitted to voting, it is also necessary to reach majority by headcount. The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favor of the proposal. Creditors who did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holders of the Notes in the *concordato preventivo*, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies are largely untested in the Italian courts (past case law has however affirmed the right of noteholders whose vote may be tainted by conflict of interest as could be the case of disenfranchised noteholders to be computed for the purposes of relevant quorum and be admitted to vote, albeit in a specific class). Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or if the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. Among others, (i) the companies controlling the entrepreneur, controlled by the entrepreneur and those under the control of the entity controlling the entrepreneur, (ii) the assignees of the claims of the entities under point (i), if the assignment has been perfected during the year preceding the *concordato preventivo* and (iii) creditors in conflict of interest are excluded from voting.

Differently from the general rules set out above, pursuant to Article 109 paragraph 5 of the Italian Insolvency Code, the *concordato preventivo* on a going-concern basis (*concordato con continuità aziedale*), is approved if all the creditors' classes vote in favor. In each class, the relevant composition with creditors' proposal is approved if the majority of the claims allowed to vote is reached or, failing that, if two-thirds of the claims of the voting creditors have voted favorably, provided that the creditors holding at least half of the total claims of the same class have voted. However, if one or more classes voted against, the court may still homologate (*omologare*) the *concordato preventivo* if:

- the majority of classes has approved it;
- the liquidation value of the entrepreneur is distributed in accordance with the statutory priority rules;
- the value generate by the proceedings exceeding the liquidation value is distributed in such a way that the claims included in the dissenting classes receive overall treatment at least equal to that of the classes of the same rank and more favorable than that of the classes of a lower rank
- no creditor receives more than the amount of its claim;
- the proposal is approved by a majority of the classes, provided that at least one of them consists of secured creditors rights, or, failing that, the proposal is approved by at least one class of creditors who would be at least partially satisfied respecting the statutory priority rules on the value exceeding the liquidation value.

Pursuant to Article 112, paragraph 5 of the Italian Insolvency Code, after the approval of the *concordato preventivo* proposal, non-adhering creditors (or creditors belonging to a non-adhering class) representing 20% or more of the liabilities may file an objection (*opposizione*), challenging the economic convenience of the plan. In such case, the court has the authority to "cram-down" non-adhering creditors, compelling their acceptance of the plan, if it deems that the proposed treatment of their claims is equivalent to what they would recover in a judicial winding-up scenario. After the creditors' approval, the court approves.

If an objection on the implementation of the *concordato preventivo* is filed by the creditors so entitled (in case of *concordato preventivo* for liquidation purposes, by 20% of the creditors or in case there are different classes of creditors by a creditor belonging to a non-adhering class, and in case of *concordato preventivo* on a going concern basis, any dissenting creditor), the court may nevertheless homologate (*omologare*) the *concordato* *preventivo* if it deems that the relevant creditors' claims will get in the *concordato preventivo* a higher recovery compared to the recovery in the contest of a judicial liquidation proceedings.

The court homologates (*omologa*) the *concordato preventivo* even in the absence of a vote by the tax authority or by the social contribution entities (*enti gestori di forme di previdenza o assistenza obbligatorie*) when their positive vote is decisive for the purposes of achieving the majorities referred to in Article 109, paragraph 1 of the Italian Insolvency Code, also on the basis of the result of the report of the independent expert referred to in Article 88 of the Italian Insolvency Code, the proposal to satisfy the aforesaid authorities and entities is convenient or not detrimental compared to a judicial liquidation scenario.

In case of non-approval, Article 112, paragraph 2, of the Italian Insolvency Code shall apply.

Secured creditors shall not vote if their claims are satisfied in cash, in full, within 180 days from the sanctioning (*omologa*) of the *concordato con continuità* and provided that the security interests supporting the related claims remains firm until the winding-up, functional to their satisfaction. In case of claims of employees or other claims secured under Article 2751-bis of the Italian Civil Code, the delay is reduced to 30 days from the approval by the court.

After the obtainment of the approval by the required majority of creditors, the court homologates (*omologa*) the composition with creditors and appoints one or more liquidators in order to execute the approved plan if it has to be realized by way of a transfer of assets. The court may grant special powers to the judicial commissioner to implement the plan if the entrepreneur does not cooperate, including by taking all corporate actions required.

Pursuant to Article 111 of the Italian Insolvency Code, if the creditors do not approve the *concordato preventivo*, the delegated judge (*giudice delegato*) shall promptly inform the court which, having decided that the appropriate conditions apply, shall declare the opening of the judicial winding-up proceeding.

Pursuant to Articles 119 and 120 of the Italian Insolvency Code, in the event of a breach of the composition with creditors plan or fraud, provided that the relevant requirements are met, the *concordato preventivo* can be terminated or annulled, as the case may be, upon petition of one or more of the creditors and the judicial winding-up may follow, at the behest of the relevant court. If the composition with creditors is implemented, terms and conditions of payments are amended as per the *concordato preventivo* proposal, and the entrepreneur may return to its usual operations (if the assets of the company are still in his possession). *Concordato preventivo* is compulsory for all creditors prior to the publication of the application in the companies' register. However, creditors retain without prejudice their rights against co-debtors and guarantors of the entrepreneur. In case of non-minor breaches, the *concordato preventivo* may be terminated by each of the creditors or the judicial commissioner (in case of petition by one or more of the creditors). The relevant lawsuit must be brought within one year from the deadline originally scheduled for the last activity to be carried out under the *concordato preventivo* itself. The *concordato preventivo* may also be annulled upon request of the judicial commissioner or of one or more creditors in case a portion of the assets of the entrepreneur has been concealed or the liabilities have been willfully exaggerated. The relevant lawsuit must be brought within six months from the discovery of the concealment/exaggeration and, in any event, within two years from the deadline originally scheduled for the last activity to be carried out under the *concordato preventivo* itself.

Common rules for pre-judicial liquidation restructuring frameworks (strumenti di regolazione della crisi e dell'insolvenza della società) and special provisions applicable in case of group of companies

In order to facilitate access and filing of restructuring procedures by the Italian companies, Articles 120-bis and ff. of the Italian Insolvency Code have been enacted, introducing a set of rules applicable to all pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*). Among other things, pursuant to Article 120-bis, paragraph 2 of the Italian Insolvency Code and the purposes of a successful restructuring, the plan may provide for "any modification of the articles of association of the company, including capital increases and reductions, including with limitation or exclusion of the option right and other modifications that directly affect the shareholders' participation rights, as well as for mergers, demergers and transformations." Shareholders, who may no longer have an interest in the company, are prevented from hindering the restructuring or even one of its stages. For this reason, pursuant to Article 120-bis, paragraphs 3 and 4 of the Italian Insolvency Code, the shareholders, while retaining a right to information in relation to both the initiation and the progress of the restructuring process, may not remove the directors without just cause, as is the case for the statutory auditors of joint stock companies, also in light of the fact that under the provisions of the Italian Insolvency Code it is not considered as being just cause for directors' removal, the filing for access to the pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) when the related legal conditions and requirements are met. However, pursuant to Article 120-bis, paragraph 5, shareholders representing at least 10% of the filing company's corporate capital may make a competing proposal within a *concordato preventivo*.

Pursuant to Article 120-ter of the Italian Insolvency Code the, plan may provide for the formation of one class of shareholders or several classes if there are shareholders to whom different rights are granted by the by-laws, including as a result of the changes provided for in the plan. The formation of classes is, however, mandatory if the plan provides for changes that directly affect the shareholders' participation rights and, in any case, for large companies and companies with widespread capital. In this context, special conditions for approval of the *concordato preventivo* are set out pursuant to Article 120-quater of the Italian Insolvency Code when and if the plan provides for shareholder attributions. Specific rules are then provided to ensure that creditors' interests are protected in all cases in which the restructuring tool envisages shareholders to retain a participation in the company with a certain value.

Article 120-quinquies of the Italian Insolvency Code, regulates the execution phase of such measure. In order to avoid any obstructive attitude of the shareholders towards the approval of the restructuring tool, this provision expressly excludes the necessity for their approval and/or resolution on the implementation of such restructuring tool, by generally attributing the relevant powers to the directors or more specifically to the competent court, in relation to any amendment to the company's by-laws which - being specifically provided for by the plan - do not require any discretionary resolution. Finally, it is stipulated that changes in the corporate structure resulting from the implementation of a pre-judicial liquidation restructuring tools (*strumenti di regolazione della crisi e dell'insolvenza*) shall not be considered as and constitute cause for the termination or amendment of any agreement entered into by the entrepreneur with third-parties.

Pursuant to Article 284 and ff. of the Italian Insolvency Code, multiple companies in crisis or insolvency belonging to the same group (each having its centre of main interest in Italy) can utilize the Composition with Creditors or a Debt Restructuring Agreement by filing a single petition and on the basis of a single plan for all the group companies or different plans mutually linked if this results in a better recovery for the creditors of each company, in comparison with the recovery that they would theoretically get if each company proposes a separate plan. This requirement shall be assessed taking into account the individual interests of the creditors of each company, in compliance with the principle of separation of assets and liabilities, which prevents the creditors of a company to be satisfied with the assets of another company.

However, the plan underlying the Composition with Creditors or the Debt Restructuring Agreement may envisage contractual and reorganization transactions, including intra-group transfers of resources, provided that an independent expert certifies that such transactions are necessary **(i)** for the continuation of the business of the companies pursuant to the plan and **(ii)** are consistent with the aim of optimizing recovery for the creditors of all group companies.

Dissenting creditors and shareholders may challenge such intra-group transfers of resources. However, in spite of such a challenge being made, the court can rule to homologate (*omologare*) the Composition with Creditors or the Debt Restructuring Agreement it if the following additional conditions are met:

- in case of a challenge by creditors, the court considers, on the basis of an overall assessment of the plan or linked plans, that the creditors can obtain a recovery of their receivables equal or better than what they would obtain in a judicial liquidation proceedings of the company; and
- in case of challenge by shareholders, if the court – on the basis of the group plan – excludes the occurrence of an impairment of the value and profitability of their shareholdings in light of the countervailing benefits arising to the individual companies involved.

Super-senior financing under the Italian Insolvency Code

The enactment of the Italian Insolvency Code did not change the main features of the previous legal framework set out in the Italian Bankruptcy Law. The aim at preserving the value of the company as a going concern and maximizing creditor's repayment are the main goals both of the previous legal framework and the Italian Insolvency Code.

However, the new provisions under the Italian Insolvency Code remove some uncertainties and clarifies some debated issues.

In addition, the provisions under the Italian Bankruptcy Law focused mainly on the perspective of creditors already having claims against the company to avoid that the expectations of recovery of such claims were reduced due to the potential considerable increase in predeductible claims and, to this extent, granted a preeminent role to the independent expert together with the court authorization procedures. Unlike the former legal framework, the new provisions of the Italian Insolvency Code focus more on preserving the business value of the distressed company as a going concern by strengthening the key role of the financing of the debtor in the context of the relevant proceedings.

The main features of the provisions concerning different available financings under the Italian Insolvency Code are set out below.

Interim financing - Article 99, paragraphs 1 to 4 of the Italian Insolvency Code

Pursuant to Article 99, paragraphs 1 and 2, of the Italian Insolvency Code, in the context of restructuring transactions on a going concern basis, also in cases in which business continuity is maintained exclusively in a view of liquidation, the Court, also together with the petition for the admission to a concordato preventivo or a Debt Restructuring Agreement, may authorize the entrepreneur, if so expressly requested, to incur in new super senior indebtedness and to secure such indebtedness subject to the court's authorisation with in rem security (garanzie reali), or by assigning claims, provided that: (i) the petition specifies (A) the purpose of the financing; (B) that the entrepreneur is unable to otherwise obtain the required funds and (C) that the absence of such financing will entail an imminent and irreparable prejudice to the going concern or to the proceedings; and (ii) the expert appointed by the entrepreneur, having verified the overall financial needs of the entrepreneur until the homologation (omologazione), declares that the new financing are functional to the continuity of the business activities until the homologation (omologa) of the relevant insolvency proceedings or to the opening of the proceedings or to conduct them and, in any case, are aimed at providing a better satisfaction of the rights of the creditors. The expert report is not necessary in case the court recognizes that there is the urgent need to avoid an imminent and irreparable prejudice to the going concern. In the event of the subsequent admission of the entrepreneur to the judicial liquidation proceeding (liquidazione giudiziale), the aforementioned financings do not enjoy the super senior priority status (prededucibilità) in case the petition or the expert report contain false data or omit important information or in case the entrepreneur performed acts in fraud of the creditors (atti in frode ai creditori) and the judicial receiver proves that who made available such financings to the entrepreneur, had knowledge of such circumstances at the date of the disbursement.

Bridge Financings - Article 99 Paragraph 5 Italian Insolvency Code

Pursuant to Article 99, paragraph 5, of the Italian Insolvency Code, financings (together with the related claims) granted, in any form, in view of (i.e., before) presentation of a petition for the homologation (omologazione) of a Debt Restructuring Agreement or a concordato preventivo (so called "bridge-financing (finanza ponte)"), may be granted such priority status provided that (i) they meet the requirements of Article 99, paragraphs 1 and 2 (described above), and (ii) it is envisaged by the relevant plan or agreement and that such priority status is expressly provided for by the court in the decree for homologation (omologazione) of the Debt Restructuring Agreement or the admission to the concordato preventivo. The indebtedness under such financing option may be secured, subject to the court's authorization, with in rem security (garanzie reali), or by assigning claims.

Implementation financing - Article 101 Italian Insolvency Code

In restructuring transactions on a going concern basis, pursuant to Article 101 of the Italian Insolvency Code, any financing granted to the entrepreneur in performance of a Debt Restructuring Agreement or a concordato preventivo homologated (omologato) by the competent court and expressly provided for in the relevant plan, enjoy super senior priority status (prededucibilità) in case of subsequent judicial liquidation, save for the below (such status also applies to financing granted by shareholders, but only up to 80% of such financing, unless the lender has become a shareholder of the entrepreneur as implementation of the Debt Restructuring Agreement or of the concordato preventivo, as in such case the priority status is afforded to 100% of the financing) according with the provisions set forth in Article 221 of Italian Insolvency Code. In the event of the subsequent admission of the entrepreneur to the judicial winding-up proceeding (liquidazione giudiziale), the aforementioned financings do not enjoy the super senior priority status (prededucibilità) in case the composition plan or the debt restructuring agreement, on the basis of an assessment to be made at the time of the relevant filing, results to be based upon false data or omission of relevant information or in case the entrepreneur performed acts in fraud of the creditors (atti in frode ai creditori) and the judicial receiver proves that who made available such financings to the entrepreneur, had knowledge of such circumstances at the date of the disbursement.

The shareholders' financing – Article 102 of the Italian Insolvency Code

Pursuant to Art. 102, Paragraph 1 of the Italian Insolvency Code super senior ranking status (prededuzione) also applies to any financings made available by shareholders in any form (including any guarantee facility or granting counter-indemnities) up to 80% of their amount.

Paragraph 2 of Article 102 of the Italian Insolvency Code clarifies that, to the extent the financing is made available by an entity becoming a shareholder in the context of and by way of implementation of a composition with creditors or debt restructuring agreement, all the claims deriving from such financings benefit of super senior ranking status and the 80% threshold limitation set out in Paragraph 1 does not apply.

Super senior ranking - Articles 99 Paragraph 6 and 101 Paragraph 2 of the Italian Insolvency Code

Super senior ranking (prededucibilità) of the claims is the most relevant feature of bridge financings, interim financings and implementation financings as described in the paragraphs above.

Pursuant to Article 6(1) of the Italian Insolvency Code, the claims deriving from such financings are expressly qualified as super senior by law and by Article 6(2) of the Italian Insolvency Code which clarifies that their super senior ranking natures continues in the context of any subsequent insolvency or enforcement proceedings (including in a judicial liquidation or any so-called minor proceedings).

As already explained above, super senior ranking nature of such financings will be excluded in case of acts of fraud (which may be relevant also in the context of debt restructuring agreements).

Such limit to super senior ranking is regulated differently for interim financings and bridge financings on the one side and for the implementation financings on the other side.

More specifically, for interim financings or bridge financings false data or omission of relevant information are relevant when found by the court in the request for the incurrence of the financings or the attestation of the independent expert, while for implementation financings such elements are relevant when on included in plan underlying the composition with creditors or the debt restructuring agreement.

With reference to interim financings and bridge financings, Article 99 Paragraph 6 of the Italian Insolvency Code provides that, in case of the opening of a judicial liquidation, such financings (although authorized by the court in the context of the composition with creditors or the debt restructuring agreement) do not benefit from super senior ranking when it is proved (jointly) that:

- the request or the independent expert report contains false data or omits relevant information, or when the debtor has committed acts to defraud creditors in order to obtain the authorization; and
- the receiver proves that the entities who provided the financing, at the date of issuance, knew the aforementioned circumstances.

With reference to implementation financings, the relevant provisions are set out in Article 101 Paragraph 2 of the Italian Insolvency Code providing that such financings do not benefit from the super senior ranking, in case of the opening of a judicial liquidation (alternatively):

- when, based on an assessment to be made at the time of filing of the petition for the opening of the proceeding, the plan underlying the composition with creditors or debt restructuring agreement turns out to be based on false data or on the omission of relevant information; or

when the debtor has carried out acts of fraud towards its creditors and the receiver proves that the lenders providing the financings were aware of such circumstances at the time of the establishment of the financings.

Restructuring plan subject to homologation (piano di ristrutturazione soggetto ad omologazione)

The Italian Insolvency Code has introduced a new restructuring tool named "restructuring plan subject to homologation (piano di ristrutturazione soggetto ad omologazione)" (the "**Restructuring Plan**"), the rules of which are set out in the new Articles 64-bis and 64-ter of the Italian Insolvency Code.

This new tool, takes the form of a restructuring framework that may disregard the distribution rules of regular insolvency proceedings but can be enacted provided that strict requirements are met. In this regard, it should be noted that recourse to this instrument will be reserved for a entrepreneur in crisis or insolvent that plans to satisfy its creditors by dividing them into classes according to homogeneous legal positions and economic interests. This instrument allows the plan's proceeds to be distributed even in derogation of the principle of "par condicio creditorum" (i.e. the equal treatment of creditors) and statutory priority rules, provided that the proposal is voted in favour by all creditors' classes (where the rules on voting are the same as those provided for the concordato preventivo). A judgement of admissibility is provided for by the court, which is called upon to assess the proposal's timeliness and to verify the correctness of the class formation criteria.

Application for the approval by the court of a restructuring plan must follow the steps of the common framework applicable to all restructuring tools and frameworks (i.e. concordato preventivo, Debt Restructuring Agreement and also to judicial liquidation).

The entrepreneur maintains the ordinary and extraordinary management of the entrepreneur in the prevailing interest of the creditors under the supervision of the court commissioner. The entrepreneur is, in any case, allowed to amend the application at any time, formulating a proposal for a concordato preventivo. In that case, the time limit for approval is shortened. Similarly, the entrepreneur that has filed an application for concordato preventivo may amend the application by applying for approval of the Restructuring Plan provided that the application is made before voting commences. In each class, the proposal is approved if a majority of the claims allowed to vote is reached or, failing that, if two-thirds of the claims of the voting creditors have voted in favour, provided that creditors holding at least half of the total claims of the same class have voted. The court will approve the restructuring plan in the event of approval by all classes. If a dissenting creditor objects to the proposal, the court will approve and homologate (omologa) the restructuring plan if the proposal satisfies the claim to a not lesser extent than the one resulting from a judicial liquidation. A creditor that has not objected to the lack of convenience in its observations may not file an objection referred before, unless it proves such the lack of objection was due to a cause not attributable to it. In summary the restructuring plan subject to homologation (piano di ristrutturazione soggetto ad omologazione) thus represents for the entrepreneur an opportunity instrument which minimizes the admissibility phase, providing greater freedom of action, but requiring the approval of all classes of creditors in order to be effectively approved.

Against the judgment of the court ruling on the approval of the Restructuring Plan, the parties may file an appeal to the competent court of appeal within the term of 30 days from the notification of the relevant judgement of the court.

Court-supervised composition for small debtors

The Italian Insolvency Code provides for a simplified court-supervised composition in case the debtor does not meet the dimensional requirements to access other restructuring tools.

Procedural steps and effects do essentially mimic those of the concordato preventivo, but it entails the involvement of the board for crisis settlement (organismo di risoluzione della crisi), which assists the debtor in preparing the paperwork and filing the petition, and performs the activities and duties which, in a concordato preventivo are prerogatives of the judicial commissioner.

Judicial winding-up (liquidazione giudiziale)

The judicial liquidation (liquidazione giudiziale) is a court-supervised procedure for the liquidation of an insolvent entrepreneur's assets and for the distribution of the related proceeds. It results in the entrepreneur's liquidation. Insolvency, as defined under Article 2 of the Italian Insolvency Code, also evidenced by defaults and/or external elements, occurs when a entrepreneur is no longer able to regularly meet its obligations as they come due.

The judicial winding-up is declared by the competent court and is applicable only to commercial enterprises (imprenditori commerciali) if any of the following thresholds are met: the entrepreneur (i) has had assets (attivo patrimoniale) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (ricavi lordi) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness (including debts not yet due) in excess of €0.5 million. Pursuant to Article 37 of the Italian Insolvency Code, the request to commence the judicial liquidation of the entrepreneur's assets can be filed by (i) the entrepreneur itself, (ii) the administrative bodies and authorities that have control and supervisory functions over the entrepreneur, (iii) by one or more of the entrepreneur's creditors and (iv) in certain cases, by the public prosecutor.

Upon the commencement of judicial winding-up proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as secured claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank pari passu with all of the entrepreneur's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the delegated judge (giudice delegato). After hearing the judicial receiver and the creditors' committee, the delegated judge (giudice delegato) decides whether to authorize the sale, and sets forth the timing in its decision;

- 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 entrepreneur's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the judicial receiver (curatore) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the payments of all debts and liabilities of the entrepreneur and all the acts, transactions, payments made or received by the insolvent entrepreneur are immediately suspended, and formalities with third-parties that have been carried out after the declaration of insolvency are not effective towards creditors of the entrepreneur (Articles 144 and 145 of the Italian Insolvency Code);

- the entrepreneur is dispossessed, and the administration of the entrepreneur and the management of its assets are transferred to the judicial receiver (curatore). The entrepreneur may no longer validly act in court as claimant or defendant in relation to the assets (Article 142 of the Italian Insolvency Code). The judicial receiver is vested with such powers upon the authorization of the delegated judge. However, all pending proceedings in which the entrepreneur is involved are automatically stayed from the date the adjudication is issued and need to be re-initiated by or against the judicial receiver;

- the beginning of the judicial winding-up involves the cessation of all the activities of the entrepreneur with a view to a sale of all assets. However, continuation of business may be authorized by the court if the continuation of the entrepreneur's business does not cause damage to creditors. If the competent court authorizes the continuation of the business (esercizio provvisorio dell'impresa), the management of the business is entrusted to the judicial receiver (who may in turn avail himself of qualified third-parties for this purpose);

- certain payments made, security interests given or transactions entered into by the entrepreneur in a certain period before the entrepreneur's submission to a judicial winding-up procedure (varying from six months to two years) can be set aside and clawed back if certain conditions are met (provided for pursuant to Article 166 of the Italian Insolvency Code);

- any act (including payments, pledges, and issuance of guarantees) made by the entrepreneur 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 performance of certain contracts and/or transactions pending as of the date of the insolvency declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the judicial receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for the Italian Insolvency Code.

In order to overcome the uncertainty that may predictably arise, the contractual counterparty may file a written petition requiring the Court to give the judicial receiver (curatore) a deadline of no more than 60 days; within such deadline, the receiver must decide to enter into the agreement or withdraw from it. Upon expiration of the deadline without the judicial receiver having replied to the counterparty's request, the pending agreement is deemed terminated. Although the general rule is that the judicial 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 the Italian Insolvency Code.

The judicial liquidation proceedings is carried out and supervised by a court-appointed judicial receiver, a deputy judge (giudice delegato) and a creditors' committee (comitato dei creditori). The judicial receiver (curator) is not a representative of the creditors, and is responsible for the liquidation of the assets of the entrepreneur to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of an entrepreneur can take a considerable amount of time, particularly in cases where the entrepreneur's assets include real estate property.

Furthermore, the parties of a judicial liquidation proceeding as well as any interested party, may file an appeal (opposizione) to the decree closing the judicial winding-up proceeding within 30 days after having been notified of the same.

Composition with creditors in the judicial liquidation (concordato nella liquidazione giudiziale).

Pursuant to Article 240 of the Italian Insolvency Code, judicial liquidation proceedings can terminate prior to the actual judicial liquidation of the entrepreneur, through a proposal for a composition with creditors in judicial liquidation (the so called "composition with creditors in the judicial liquidation" (concordato nella liquidazione giudiziale) (the "**Judicial Liquidation Composition**")). The Judicial Liquidation Composition should be kept distinct from the composition with creditors proceedings (concordato preventivo) under Articles 84 and ff. of the Italian Insolvency Code, which is an independent insolvency proceeding.

The creditor, a third-party or the entrepreneur files a composition proposal having as its object a "plan" to satisfy creditors, including secured creditors, in full or in part. In case the Judicial Liquidation Composition is proposed by the entrepreneur, such proposal, inter alia, (i) shall be filed after 1 year from the opening of the judicial liquidation proceeding and (ii) shall provide for the contribution by the entrepreneur of resources that increase the value of the entrepreneur's assets by at least 10%.

The relevant proposal shall be submitted to the competent judge, shall then be approved by the creditors and finally by the court. In case the court's decree approving the Judicial Liquidation Composition becomes final (definitivo), the court declares the judicial liquidation to be closed and terminated, initiating the enactment phase of the Judicial Liquidation Composition. In the context of a Judicial Liquidation Composition, the competent court supervises both the proposal and execution phases while the judicial receiver (curatore), once the liquidation is closed, loses his management functions and retains only supervisory duties over the fulfillment of the terms and the conditions of the arrangement obligations arising from or in connection with the aforementioned Judicial Liquidation Composition.

Pursuant to Article 240, paragraph 2 of the Italian Insolvency Code, the proposal may provide for:

- the division of creditors into classes, according to homogeneous legal position and economic interests. Under the relevant provision, such division is not mandatory but discretionary, provided two criteria for the class identification: (a) legal position, i.e., the nature of the claim, e.g., unsecured or preferential and (b) the homogeneous economic interests. In this respect, the Italian Insolvency Code requires for the criteria and rationale for the division into classes to be expressly stated in order to avoid the distorted use of class formation, put in place for the sole purpose of obtaining the approval of the abovementioned proposal;

- different treatment between creditors belonging to different classes, indicating the reasons of such differences;
- the restructuring of the financial indebtedness of the entrepreneur as well as the satisfaction of claims in any form possible, by way of example: by transfer of assets; by assumption (accollo); by means of other extraordinary transactions, including the assignment to creditors (as well as to companies in which they have an interest), of shares, quotas or bonds, including those convertible into shares or other financial instruments and debt securities.

It should be noted that a special feature of the Judicial Liquidation Composition is the option to provide that secured creditors may not be satisfied in full. However, it is necessary for the plan to provide for their satisfaction to a non-lesser extent than that the one which can be realized, by reason of the relevant statutory priority rules, from the relevant proceeds in the event of a judicial liquidation, having regard to the market value attributable to the assets or rights over which the cause of pre-emption exists.

The Judicial Liquidation Composition proposal must be approved by the creditors' committee and the creditors holding the simple majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in the majority of the classes). However, in the event of dissent by more than one creditor's class, a cram-down may occur (i.e., in case the court decides to approve the Judicial Liquidation Composition - despite a creditor belonging to a dissenting class contests the appropriateness of the proposal - if it finds that the claims can be satisfied by the Judicial Liquidation Composition to a non-lesser extent than the practicable alternatives). Final court confirmation and homologation (omologazione) is also required.

Finally, once approved and homologated (omologato) by the court the Judicial Liquidation Composition is mandatory for all creditors which claims accrued prior to the opening of the judicial liquidation proceeding (including for those creditors who have not applied for the admission to the judicial liquidation estate, but such creditors will not benefit from the guarantees or the security interests granted for the implementation of the Judicial Liquidation Composition). With the termination of the Judicial Liquidation - as a consequence of the homologation decree (decreto di omologa), which pursuant to Article 247 of the Italian Insolvency Code may be challenged and appealed within 30 days from its notification - the debtor returns "in bonis" and enjoys the renewed availability of its assets.

In particular, pursuant to Article 6 of the Italian Insolvency Code, in addition to claims expressly qualified as "prededucibili" under Italian law, among others, the following claims are "prededucibili":

- claims relating to expenses and fees for services rendered by the business crisis settlement body;
- professional claims arising from or in connection with the filing for the approval of a restructuring plan subject to homologation, the debt restructuring agreements and for the application for Protective Measures, to the extent of 75% of the assessed claim and provided that the abovementioned plan or agreements are approved and homologated;
- professional claims arising from or in connection with the filing of for a court supervised composition with creditors procedure as well as the filing of the related proposal and the plan accompanying it, within the limits of 75% of the ascertained claims and provided that the proceedings are opened pursuant to Article 47 of the Italian Insolvency Code; and
- claims legally arisen in connection with insolvency proceedings for the management of the debtor's assets and the continuation of the business of the company as well as arising from the professional services required by the related bodies.

Statutory Priorities

The statutory priority given to creditors under the Italian Insolvency Code may be different from that established under the laws of the United States, the United Kingdom and certain Member States of the European Union. Under Italian law, the proceeds from the sale of the debtor's estate are distributed according to statutory rules of priority. Neither the entrepreneur nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor agreements may not be enforceable against an entrepreneur undergoing an insolvency proceedings and the relevant estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire entrepreneur's estate or part thereof or from a single asset.

The proceeds of liquidation shall be allocated according to the following order: (i) for payments of super-senior ("prededucibili") claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure or to which such priority is given pursuant to other provisions of the Italian Insolvency Code) as better identified in Article 6 of the Italian Insolvency Code; (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, inter alia, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing) the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (creditori privilegiati; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgagees (creditori ipotecari), pledgees (creditori prignoratizi) and, lastly, unsecured creditors (crediti chirografari).

Avoidance Powers in Insolvency

A fundamental principle of the Italian Insolvency Code is equal treatment of all creditors ("*par condicio creditorum*"), according to which, absent statutory priorities or security right, no creditor may be paid a higher percentage of his claim than other creditors ranking *pari passu*.

A consequence of this principle is not only that the payment of debts by the judicial receiver is strictly regulated, but also that all transactions effected by the debtor over the previous year (or, in certain cases, over the previous six months) are scrutinized and potentially unwound as preferential.

More in detail, the Italian Insolvency Code contains "clawback" or avoidance provisions that may lead to, inter alia, the revocation of payments made or security interests granted by the entrepreneur prior to the opening of a judicial liquidation proceedings. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors or to the advantage of one creditor. Clawback rules under Italian law are normally considered to be particularly favorable to the judicial liquidation estate, compared to the rules applicable in other jurisdictions.

In the context of the judicial liquidation proceedings, depending on the circumstances, the Italian Insolvency Code provides for a claw-back period of up to two years (six months in certain circumstances) and a two-year ineffectiveness period for certain payments and other transactions. In the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Insolvency Code distinguishes between payment and other transactions which are ineffective by operation of law and payment and transactions which are voidable as a consequence of the upholding of a clawback claim filed within the relevant insolvency proceedings by the competent bodies.

Payments and other transactions ineffective by operation of law.

Pursuant to:

- Article 163 of the Italian Insolvency Code, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the entrepreneur after the filing to the relevant court followed by the opening of the judicial liquidation or within the two years preceding the opening of such insolvency proceedings. Any asset subject to a transaction which is ineffective pursuant to Article 163 of the Italian Insolvency Code becomes part of the liquidation estate by operation of law upon registration (trascrizione) of the court's decision opening the insolvency proceeding, without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law; and

- Article 164 of the Italian Insolvency Code, (A) payments of receivables falling due on the day of the of the judicial declaration of opening of the judicial liquidation or later, if they were made by the entrepreneur after the filing of the application followed by the opening of the judicial liquidation or in the prior two-year period; and (B) payments made by the entrepreneur with respect to any intercompany loans within one year prior to a judicial winding-up declaration (or after the filing of the application followed by the opening of the winding-up proceeding), are ineffective vis-à-vis creditors.

Payments and other transactions that can be declared ineffective at the request of the proceedings' competent bodies.

The following payments and other transactions, if made or carried out during the period specified below, may be clawed back (revocati) vis-à-vis the entrepreneur as provided for by Article 166 of the Italian Insolvency Code and be declared ineffective, unless the non-insolvent party proves that it had no knowledge of the entrepreneur's insolvency at the time when the payment was made or the transaction carried out:

- transactions for consideration carried out after the filing of the petition for the opening of the judicial liquidation or in the previous year, where the value of the debt or the obligations undertaken by the entrepreneur exceeds 25% of the value of the consideration received by and/or promised to the entrepreneur;

- payments of monetary debts, due and payable, made by the entrepreneur which were not paid in cash or by other customary means of payment which were carried out after the filing of the petition for the opening of the judicial liquidation or in the previous year or two years if the counterparty was a company belonging to the same group;

- granting of pledges and mortgages by the entrepreneur after the filing of the petition for the opening of the judicial liquidation or in the previous year in order to secure pre-existing debts which were not yet due at the time the new security was granted; and

- granting of pledges and mortgages by the entrepreneur after the filing of the petition for the opening of the judicial liquidation or in the in the prior six months in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

Furthermore, payments of debts that are immediately due and payable and any transactions for consideration and/or granting of priority rights/security interests for debts simultaneously created (event those of third-parties) may be clawed back (revocati) and declared ineffective, if the judicial liquidation receiver proves that the other party had knowledge of the entrepreneur's insolvency and if they were made or carried out by the entrepreneur after the filing of the petition for the opening of the judicial liquidation or in the in the prior six months.

Pursuant to Article 166, paragraph 2 of the Italian Insolvency Code, the following payments and other transactions are exempted from claw-back actions:

- payments 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 entity's debt towards the bank;

- the sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code (provided that the effectiveness of the relevant registration has not ceased), 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 or guarantees or security interests granted over assets of the entrepreneur in performance of a Certified Recovery Plan pursuant to Articles 56 or 284 of the Italian Insolvency Code;

- transactions entered into, payments made or guarantees or security interests granted over assets of the entrepreneur in performance of a homologated (omologato) concordato preventivo, Debt Restructuring Agreement or Restructuring Plan and indicated therein, transactions entered into, payments made or guarantees or security interests granted over assets of the entrepreneur legally made or carried out after the filing of a petition for a concordato preventivo or a Debt Restructuring Agreement;

- remuneration payments to the entrepreneur's employees and consultants concerning work carried out by them; and
- payments of debts due and payable made on the relevant due date for services necessary for access to a pre-judicial liquidation restructuring tools (strumenti di regolazione della crisi e dell'insolvenza) or to other insolvency proceedings provided under the Italian Insolvency Code.

Pursuant to Article 170 of the Italian Insolvency Code, the limitation period for initiating claw-back action proceedings is three years from the opening of the judicial liquidation or, if earlier, five years from the date when the payment or other transaction was made or carried out. In case judicial liquidation is commenced after the filing of a petition for another insolvency proceedings, according to Article 170, paragraph 2 of the Italian Insolvency Code, the look-back period to be considered in respect of the relevant payment or transaction is calculated backwards from the date on which such earlier petition is filed (as opposed to backwards from the date on which the judicial liquidation was opened). In addition, in certain cases, the judicial receiver can request that certain transactions of the entrepreneur be declared ineffective within the ordinary claw-back period of five years (revocatoria ordinaria) provided for by the Italian Civil Code. In this respect, under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the entrepreneur was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the entrepreneur for the purpose of prejudicing the creditors) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

The Italian Insolvency Code provides special regimes on preferences and avoidances of intra-group transactions. Under Article 290 of the Italian Insolvency Code the limitation period of initiating intra-group claw-back actions (referring to acts and transactions entered into by companies belonging to the same group that jeopardize the creditors' interest) is extended to five years from the filing for judicial winding-up declaration.

Law No. 132 of August 6, 2015 also introduced new Article 2929–bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a court decision clawing back or nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers or creation of shield instruments such as trusts or the so called fondo patrimoniale—"family trust"). In the case of gratuitous transfers, the Enforcement Action can also be carried out by the creditor against the third-party purchaser.

Finally, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Adequate organizational, administrative and accounting corporate structures. One of the main novelties included in the Italian Insolvency Code concerns the definition of the organizational, administrative and accounting structures of a company which are deemed to be adequate under Article 2086 of the Italian Civil Code, required by the applicable regulations for the purpose of timely detection of the state of crisis and the undertaking of suitable initiatives by the debtor. Article 3 of the Italian Insolvency Code requires the entrepreneur to adopt an appropriate organizational structure in accordance with Article 2086 of the Italian Civil Code, for the purpose of timely detection of the crisis of the company as well as the timely undertaking of suitable initiatives to overcome the crisis and recover business continuity. However, neither the aforementioned Article 3, in its current wording, nor Article 2086 of the Italian Civil Code, as amended by the Italian Insolvency Code, contains a precise description of the parameters, conditions and characteristics that are deemed to be necessary/needed for the definition and especially for the identification of "adequate structures."

In this regard, Article 3 of the Italian Insolvency Code precisely enunciates, on the one hand, the purposes to which the measures and structures must aim in order to be considered as adequate for the timely detection of the crisis and, on the other hand, the relevant warning signs in relation to the same. In this respect, it is stipulated that, for the purpose of the timely detection of the company's state of crisis, the measures and structures deemed to be adequate should make it possible to:

- detect any imbalances of an equity or economic-financial nature, related to the specific characteristics of the company as well as to the business activity carried out by the debtor;
- verify the non-sustainability of debts and the absence of prospects for business continuity for the next twelve months as well as the warning signs identified by Article 3, paragraph 4 of the Italian Insolvency Code; and
- derive the information necessary to follow the detailed checklist and conduct the practical test for the reasonable pursuit of the debtor's financial recovery.

For the sake of completeness and as set out above, it should also be noted that Article 3, paragraph 4 of the Italian Insolvency Code provides an exact indication of the warning signs, identified, inter alia, as follows:

- the existence of payroll debts overdue for at least 30 days equal to more than half of the total monthly payroll amount;
- the existence of receivables owed to suppliers that are at least 90 days past due in an amount greater than the amount of receivables that are not past due;
- the existence of exposures to banks and other financial intermediaries that have been past due for more than 60 days or have exceeded the limit of credit facilities obtained in any form for at least 60 days provided that they represent in the aggregate at least 5% of the total exposures; and
- the existence of one or more exposures to certain public institutions listed under Article 25-novies of the Italian Insolvency Code.

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**"). The entrepreneur must be insolvent but demonstrate serious recovery prospects. To qualify for this procedure, the entrepreneur must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the entrepreneur, 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."

Judicial Phase

In the judicial phase, the court determines whether the entrepreneur meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (commissiario giudiziale) to investigate whether the entrepreneur 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 Economic Development Ministry (the "**Ministry**") may make an opinion on the admission of the entrepreneur to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the entrepreneur to the procedure or to place it into judicial liquidation.

Administrative Phase

Assuming that the entrepreneur 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 entrepreneur's economic and financial recovery within two years (unless extended by the Ministry) (the

"**Recovery Plan**"). The plan may also include an arrangement with creditors (e.g., a debt for equity swap, an issue of shares in a new company to whom the assets of the entrepreneur have been transferred, etc.) (concordato). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the entrepreneur and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the entrepreneur is declared insolvent.

Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)

Introduced in 2003 pursuant to Law Decree No. 347/2003, converted into Law No. 39/2004, the industrial restructuring of large insolvent companies is also known as the Marzano procedure. It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-bis procedure. For example, although a entrepreneur must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the entrepreneur.

The Marzano procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300,000,000 of debt (including those from outstanding guarantees). The decision of whether to open a Marzano procedure is taken by the Ministry following the entrepreneur'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 entrepreneur. The court also decides on the entrepreneur's insolvency.

This procedure aims at the restructuring of the company's debts and the piecemeal sale of those assets that are not strategic or do not form part of the company's core business.

The entrepreneur must apply to the Minister of Economic Development for immediate admission to the procedure, while at the same time filing a petition with the court in order to confirm its insolvency status. It is the Minister, rather than the court, that has primary responsibility for supervising the procedure; the court is requested only to confirm the company's insolvency status and verify the lawfulness of the proceeding with respect to the verification of claims.

If the entrepreneur is admitted to the procedure, other insolvent companies in the same corporate group may also participate, even if they do not satisfy the relevant requirements.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or a 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 entrepreneur insolvent and open judicial liquidation proceedings.

Compulsory Administrative Winding-Up (Liquidazione coatta Amministrativa)

A compulsory administrative winding-up (liquidazione coatta amministrativa), provided for pursuant to Article 293 and ff. of the Italian Insolvency Code, is only available for certain entities, such public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to judicial liquidation proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings where the entity is liquidated not by the 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 by the relevant governmental authority (e.g., the Bank of Italy or the Ministry of Economic Development, which are competent for the filing of an application for a declaration of insolvency with the subsequent opening of the compulsory administrative winding-up proceeding).

The liquidator's actions are monitored by a steering committee (comitato di sorveglianza). The powers assigned to the designated judge and the 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 the judicial liquidation proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for the judicial liquidation proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Certain Italian Law Considerations in Relation to Guarantee and Security Interests

Certain limitation on granting of guarantee and security interests under Italian law

Italian Law No. 108 of 7 March 1996, as amended, implemented or supplemented from time to time (the "**Italian Usury Law**"), prevents lenders from applying interests higher than certain rates, qualifying as usurious, as set forth in accordance with the Italian Usury Law (the "**Usury Rates**"). In addition, even where the Usury Rates are not exceeded, the interest rate applicable may be held usurious if: (i) it is considered to be disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate applicable to similar transactions in the market) and (ii) the debtor is deemed to have been in financial and economic difficulties at the time the indebtedness was incurred.

In order to comply with (i) the Italian Usury Law and Article 1815 of the Italian Civil Code and (ii) the mandatory provisions of Italian law in relation to capitalization of interests (including Article 1283 of the Italian Civil Code), the obligations of any Italian Guarantor under a guarantee shall not include and shall not extend to (x) Usury Rates and (y) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code, respectively.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "Italian Banking Act"), whose exercise is exclusively limited to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, inter alia, entail the relevant guarantees being considered null and void. In this respect, Decree No. 53 of April 2, 2015 issued by the Italian Ministry for Economic Affairs and Finance (Ministero dell'Economia e delle Finanze), implementing Article 106, paragraph 3, of the Italian Banking Act, states that the granting of guarantees or 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 Italian Guarantor 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.

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by an Italian company 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.

Corporate Benefit

An Italian company entering into a transaction (including granting a security interest or a guarantee) must receive a real and adequate benefit in exchange for the security interest or the guarantee being provided by such company (the so called "corporate benefit"). The concept of 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, of the company. As a general rule, corporate benefit is to be assessed at the level of the Italian company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such Italian company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the transaction (including granting a security interest or a guarantee) by an Italian company ultra vires and potentially affected by conflict of interest or both and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of an Italian company if it is assessed by a court that they did not act in the best interest of such company and that the acts carried out do not fall within the corporate purpose of such 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 upstream/cross-stream/downstream guarantees and security interests granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross-stream guarantee or security interest (i.e., a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by the Italian company depend on the existence of a real and adequate corporate benefit in exchange for the granted guarantees or security interests and may be challenged unless it can be proved that the Italian company may derive some benefits or advantages from the granting of such guarantees or security interest. The general rule is that the risk assumed by the Italian company granting a guarantee or security interest must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of upstream guarantees and cross-stream security interests or guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of that group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest.

Financial Assistance

In addition, the granting of a security interest 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 under Italian laws for an Italian company to provide financial assistance (whether by means of loans, security interest, guarantees or otherwise) to support the acquisition, or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls such Italian company.

Financial assistance provided by an Italian company for the refinancing of indebtedness originally incurred for the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company would also be a violation of financial assistance provisions. Any loan, security interest or guarantee given or granted in breach of these provisions would also be a violation of financial assistance provisions. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by a guarantor incorporated under the laws of Italy is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by a guarantor incorporated under the laws of Italy must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the relevant Italian guarantor. It has been held that such determination must be proportionate to the relevant Italian guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Limitations to the Guarantee and the Collateral

To comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Italian Guarantor may be required to pay with respect to its obligations as Guarantor under the Indenture, the Existing Notes Indenture, the Intercreditor Agreement and the Revolving Credit Facility Agreement are subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Guarantee.

In particular, as regards to any Italian Guarantor, given the above limitation in relation to Italian financial assistance law and corporate benefit, such amount will not exceed, at any time, an amount equal to the aggregate principal amount of any intercompany loans, or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions), advanced and/or made available from time to time to the Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 or 2, of the Italian Civil Code) by the Issuer or any other Guarantor (whether directly or indirectly) as outstanding at the time of the enforcement of the relevant Notes Guarantee; provided further that any Italian Guarantor shall not be liable as "Guarantor" in respect of any amounts in excess of the amount that it is entitled to set-off against its claims of recourse or subrogation (regresso or surrogazione) arising as a result of any payment made by it under its Notes Guarantee (the "**Set-Off Right**"). For the purposes hereof, any provision establishing a deferral of Guarantor's rights in any Transaction Documents shall not prejudice, and will not apply to, the Set-Off Right.

In addition, in order to comply with the provisions of Italian law in relation to the financial assistance (including Article 2358 and Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect), any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Notes by the Guarantor shall not include and shall not extend, directly or indirectly, to any amount lent to acquire or subscribe, directly or indirectly, shares or quotas in the Guarantor or any direct or indirect controlling entity of the Guarantor (or the refinancing of any indebtedness incurred for that purpose).

In any event, pursuant to article 1938 of the Italian Civil Code, the maximum amount that any Italian Guarantor may be required to pay in respect of its obligations as a Guarantor under its Notes Guarantee shall not exceed 120% of the outstanding principal aggregate amount of the Notes.

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

It is understood that the maximum amount that any Italian Guarantor and/or Italian security provider may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security provider under the relevant security documents upon enforcement of any security interests granted by such Italian Guarantor and/or Italian security provider will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor and/or Italian security provider to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement 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.

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, as applicable, will be able to recover limited amounts under the relevant Guarantee and security.

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 Italian company 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 or judicial liquidation receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of (i) Italian bankruptcy law (i.e. Royal Decree No. 267 of March 16th 1942, as amended and supplemented from time to time, the "**Italian Bankruptcy Law**") and/or (ii) Italian Insolvency Code and the relevant law on the non-insolvency avoidance or clawback of transactions made by the Italian company during a certain legally specified period (the "**Suspect Period**"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "—Certain Italian Insolvency Laws" above.

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

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor 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:

- the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the court;
- with respect to contracts providing for mutual obligations (contratti a prestazioni corrispettive), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (prescrizioni and decadenze) or may be or become subject to a claim of set-off (compensazione) or to counterclaim;
- pursuant to Article 1241 and following of the Italian Civil Code concerning set-off of reciprocal obligations (compensazione), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles or in case mandatory rules of necessary application (norme di applicazione necessaria) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or

instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (abuso del diritto);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy (filed or pending before July 15, 2022) or a judicial liquidation, a receiver is appointed by the court to administer the proceeding under the supervision of the court and the creditors' committee, and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the Italian company (automatic stay). Furthermore, save for certain specific cases provided for by Italian law, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- the preemption rights (prelazione) granted by a security interest extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy/judicial liquidation 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/judicial liquidation proceedings;
- to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant Italian company or make such Italian company to accept it by an instrument bearing an undisputable date (data certa); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document, another way is to apply to the document a specific time-stamp (*marcatura temporale*);
- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (colpa grave), willful misconduct (dolo) or the violation of mandatory provisions;
- penalties and liquidated damages (penali) may be equitably reduced by a court;
- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;

- a security interest does not prevent creditors of the relevant Italian company other than the grantee of such security interest, from continuing enforcement or enforcement proceedings on the assets secured by the relevant security interest;
- in case of bankruptcy (filed or pending before July 15, 2022) or a judicial liquidation 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 or in case of a judicial liquidation 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 or shares; and
- as mentioned above, any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, among others, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (i.e., the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date) may not be enforceable.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of an Italian company 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, to seek a clawback action (azione revocatoria ordinaria) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- 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;
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Hardening Period/Clawback and Fraudulent Transfer

In a judicial winding-up proceeding, the Italian Insolvency Code provides for a claw-back period of up to two years (six-months in certain circumstances). In addition, in certain cases, the judicial 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 (*revocatoria*) provided for pursuant to the Italian Insolvency Code and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified Suspect Period. The avoidance may relate to (i) transactions made by the debtor within the Suspect Period of one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation, 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 during the Suspect Period of one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation 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 one year prior to the opening of the judicial liquidation proceeding or occurred after the filing for the opening of the judicial liquidation, if the judicial receiver proves that the creditor was aware of the insolvency of the debtor. In case judicial liquidation is commenced after the filing of a petition to be admitted to any insolvency proceedings, according to Article 170, paragraph 2 of the Italian Insolvency Code, the Suspect Period is calculated backward from the date in which such petition is filed. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's 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 guarantee or security interest is voided, holders of the Notes could lose the benefit of the guarantee or of the security interest and may not be able to recover any amounts under the related Security Documents and/or the Guarantee.

It should be noted that: (i) under Article 163 of the Italian Insolvency Code, subject to certain limited exceptions, all transactions carried out by the debtor for no consideration are ineffective vis-a-vis creditors if entered into by the debtor after the filing to the relevant court followed by the opening of the judicial winding-up procedure or within the two years preceding the opening of such insolvency proceeding. Any asset subject to a transaction which is ineffective pursuant to Article 163 of the Italian Insolvency Code becomes part of the liquidation estate by operation of law upon registration (trascrizione) of the court's decision opening the insolvency proceeding, without needing to wait for the ineffectiveness of the transaction to be sanctioned by a court. Any interested person may challenge the registration before the delegated judge as a violation of law, and (ii) under Article 164 of the Italian Insolvency Code, (A) payments of receivables falling due on the day of the of the judicial declaration of opening of the judicial liquidation or later, if they were executed by the debtor after the filing of the application followed by the opening of the judicial winding-up proceedings insolvency declaration or in the prior two-year period; and B) payments made by the debtor with respect to any intercompany loan within one year prior to a judicial winding-up declaration (or after the filing of the application followed by the opening of the winding-up proceeding), are ineffective vis-à-vis creditors.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Certain Considerations in Relation to Security Interests

Trust and Parallel Debt

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 Notes 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 Notes Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of Paragraph 3 of Article 2414-*bis*, Paragraph 3, of the Italian Civil Code are 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 Notes Collateral is only granted in favor of the *rappresentante*, the holders of Notes at the time of enforcement are not secured by the Notes Collateral and/or cannot enforce that Notes 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.

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 Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law.

The Indenture provides for the creation of a "parallel debt." Pursuant to the parallel debt claim and subject to the terms of the Indenture and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of Notes, shall become the holder of a claim equal to each amount payable by an obligor under the Notes.

The validity of parallel debt structures under Italian law has, to date, not been considered before the Italian courts and the security interests comprising the parallel debt claim could be held to be in conflict with mandatory provisions of Italian law. Accordingly, no assurance can be given that the enforceability of a security interest governed by Italian law securing a parallel debt obligation will be upheld by an Italian court and further, no assurance can be provided on how an Italian court would interpret an Italian law security instrument purporting to secure, inter alia, a "parallel debt" obligation.

Undercapitalization

Italian corporate law (Articles 2497–quinquies and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated under the laws of Italy as a società a responsabilità limitata, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan (undercapitalization). Pursuant to Article 164 of the Italian Insolvency Code, any payment made by the borrower with respect to any such loan within one year prior to a judicial liquidation declaration are ineffective by operation of law. The new provision replaced Article 2467, paragraph 1, of the Italian Civil Code, according to which such payments would be required to be returned to the borrower. For a more detailed explanation of the terms, conditions and consequences of claw back actions in an insolvency scenario, see "Certain Italian Insolvency Laws Considerations—Judicial Winding-Up (liquidazione giudiziale)" and "Hardening Period/Clawback and Fraudulent Transfer" above. In addition to that, Article 292, paragraph 1, of the Italian Insolvency Code sets forth that claims of entities exercising management and coordination powers vis-à-vis the entities subject to such powers and claims of the entities subject to such powers vis-à-vis the entities exercising them deriving from loans granted after the filing of petitions resulting in the opening of judicial liquidation of in the year before, are subordinated.

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 of the Offering Memorandum, there are several court precedents interpreting the provisions summarized above. Some of such precedents have, however, 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 and notes that are incorporated as società per azioni.

Therefore, upon the occurrence of the circumstances provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under intercompany loans. Accordingly, an Italian court may conclude that the obligations of an Italian subsidiary under an intercompany loan from the Issuer are subordinated to all of its obligations to other creditors. Should any of the obligations of any Italian subsidiary under an intercompany loan from the Issuer be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to equity, the Issuer may not be able to recover any amounts under such intercompany loan, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

General

The procedures for the enforcement of Italian law security and the timing for obtaining judicial decisions (including in relation to security enforcement) in the Republic of Italy are materially complex and time-consuming, especially given that the Italian courts maintain a significant role in the enforcement process, in comparison to other jurisdictions with which investors may be familiar.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the Notes (i.e. its corporate resolutions) are governed by Italian law.

The Issuer is a joint stock company (*società per azioni*) organized under the laws of Italy. A majority of the directors and executive officers of the Issuer live outside the United States. Substantially all the assets of the directors and executive officers of the Issuer are located outside the United States. As a result, although the Issuer will appoint an agent for service of process under the indenture governing the Notes, it may be difficult for you to serve process on the Issuer in the United States, or to enforce judgments obtained in U.S. courts against the Issuer, based on civil liability provisions of the federal or state securities laws of the United States.

Likewise, it may also be difficult for an investor to enforce judgments in U.S. courts obtained against us or the Guarantor in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, or other laws against us or the Guarantor 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 the Issuer or the Guarantor provided that, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Enforcement of Judgments in Italy

Subject to the qualifications described below, recognition and enforcement in Italy of final judgments of U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws, may not require retrial on the merits and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995, inter alia, the following conditions are met: (i) the relevant U.S. court which rendered the judgment had jurisdiction upon the matter in accordance with Italian law and had rendered a final and binding judgment, not subject to any further appeal (passato in giudicato); (ii) summons and complaints have been appropriately served on the defendant in accordance with applicable U.S. law and no fundamental right of the defendant has been violated during the proceedings; (iii) the parties have had an opportunity to be heard in accordance with applicable U.S. law; (iv) there is no conflicting final judgment by an Italian court or an action pending in Italy that commenced prior to the commencement of the proceedings before the U.S. court among the same parties and arising from the same facts and circumstances; and (v) the content of the U.S. judgment does not violate Italian public policy.

Furthermore, according to Article 67 of Italian Law No. 218 of May 31, 1995, if the judgment rendered by the U.S. court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal to this end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by White & Case LLP, as to matters of United States federal, New York State, English, Italian law, and by Tremonti Romagnoli Piccardi e Associati, as to matters of Italian tax law.

Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Weil, Gotshal & Manges (London) LLP, as to matters of United States federal, New York State and English law and by PedersoliGattai as to matters of Italian law.

INDEPENDENT AUDITORS

The consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and subsidiaries as of and for the years ended December 31, 2021, 2022 and 2023, the English translation of which is included elsewhere in this Offering Memorandum, have been audited by EY S.p.A., independent auditors, as stated in the English translation of their reports appearing herein.

EY S.p.A.'s registered office is Via Meravigli 12, Milan, Italy, and it is registered under No. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree No. 39, January 27, 2010.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(a) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(b) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(c) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby, other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, upon the written request of any such holder or beneficial owner. Any such request with respect to the Notes should be directed to the Issuer at I.M.A. Industria Macchine Automatiche S.p.A., Via Emilia 428-442, 40064 Ozzano dell'Emilia (BO), Italy.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to holders of the Notes, as further described under "Description of the Notes—Certain Covenants—Reports."

The additional documents and information specified in "Listing and General Information" herein and not included in this Offering Memorandum will be available to be inspected and obtained by holders at the specified office of the listing agent in Dublin (Ireland) during normal business hours on any weekday.

The content available on our website does not form part of, nor is incorporated by reference into, this Offering Memorandum.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to list the Notes, on the Issue Date, on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange.

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF, and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent during normal business hours on any weekday:

(a) the organizational documents of the Issuer and the Guarantor;

(b) the Consolidated Financial Statements included in this Offering Memorandum;

(c) the Indenture (which includes the Guarantee);

(d) the Intercreditor Agreement; and

(e) the annual and interim financial statements required to be provided under the captions "Description of the Notes—Certain Covenants—Reports".

We have appointed The Bank of New York Mellon SA/NV, Dublin Branch as Transfer Agent and Registrar, Matheson LLP as Luxembourg Listing Agent and The Bank of New York Mellon, London Branch as Calculation Agent and Paying Agent, to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this Offering Memorandum, neither the Issuer nor the Guarantor is involved, or has been involved during the twelve months preceding the date of this Offering Memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Changes

Except as disclosed in this Offering Memorandum:

(a) there has not been a significant change in the financial or trading position of the Issuer or the Guarantor since their respective incorporation;

(b) there has been no material adverse change in the financial position or prospects position of the Issuer or the Guarantor since December 31, 2023; and

(c) neither the Issuer nor, as far as the Issuer is aware, the Guarantor has been involved in any governmental, legal, administrative or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve months preceding the date of this Offering Memorandum, which may have, or have had in the recent past, a significant effect on our financial position or profitability.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 280553069 and 280553077, respectively. The ISIN Number for the Notes sold pursuant to Regulation S is XS2805530693 and the ISIN Number for the Notes sold pursuant to Rule 144A is XS2805530776.

Legal Information

The Issuer

I.M.A. Industria Macchine Automatiche S.p.A., a joint stock company (*società per azioni*) incorporated and existing under the laws of the Republic of Italy, having its registered office at Via Emilia 428-442, 40064 Ozzano dell'Emilia (BO), Italy, and registered with the Chamber of Commerce of Bologna registration number and fiscal code 00307140376 and LEI code 815600D86992FDA7B908. The Issuer was formed on June 6, 1961 and its corporate existence is scheduled to expire on December 31, 2100. The Issuer's financial year ends on December 31.

Pursuant to Article 2 of its by-laws, the Issuer's corporate purposes are:

(a) the exercise, also on behalf of third parties or as a commissioning company, of industrial activities in the field of mechanics, in particular, in that of automatic machines their parts and accessories, electromechanical constructions and plants, parts for the completion and augmentation of its own products, as well as the purchase, sale and/or administration of by-products and services, also of various kinds, in the interest of third parties and of companies controlled by and/or connected to the same;

(b) the performance of assistance activities in the field of sales, marketing and production organization as well as the sale of know-how on production processes and management techniques;

(c) the buying, selling, administration, leasing and management of real estate.

For information about the Issuer's share capital, please refer to Article 5 of its articles of association. As of the date of this Offering Memorandum, the subscribed share capital of the Issuer is €22,470,504.68 divided into 43,105,509 shares with a no par value, all of which are fully paid up.

The Guarantor

The Guarantor, IMA Life North America Inc., is a corporation incorporated and existing under the laws of the State of Delaware having its registered office at 108 West 13th Street, Wilmington, Delaware. The Guarantor was formed on August, 2, 2005 and its corporate existence is indefinite. The Guarantor's financial year ends on December 31.

Pursuant to Article 3 of its certificate of incorporation, the Guarantor's corporate purpose is to engage in any lawful activity for which corporations may be organized under the General Corporation Law of Delaware (Title 8, Chapter 1 of the Delaware Code).

General

The issuance of the Notes and their terms and conditions were authorized by resolutions of the Board of Directors (*consiglio di amministrazione*) of the Issuer passed on April 5, 2024. The Guarantee was authorized by resolution or decision of the competent body of IMA Life North America Inc. on April 11, 2024.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

INDEX TO FINANCIAL STATEMENTS

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA)

SHARE CAPITAL FULLY PAID-IN: € 22,470,504.68

REGISTERED WITH THE BOLOGNA COMPANIES REGISTER AT NO. 00307140376

A SOLE-SHAREHOLDER COMPANY SUBJECT TO MANAGEMENT CONTROL AND COORDINATION OF

SO.FI.M.A. SOCIETÀ FINANZIARIA MACCHINE AUTOMATICHE S.P.A.

ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2023

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

Consolidated Statement of Financial Position

ASSETS	Note	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Property, plant and equipment	2	171,530	165,843
Right of use assets	2	264,188	265,150
Intangible assets	3	3,542,807	3,543,350
Investments accounted for using the equity method	4	25,106	24,686
Financial assets	5	11,211	7,243
Receivables from others	6	4,922	4,650
Derivative financial instruments	7	2,766	4,125
Deferred tax assets	8	75,314	71,514
TOTAL NON-CURRENT ASSETS		4,097,844	4,086,561
CURRENT ASSETS			
Inventories	9	453,029	441,775
Trade and other receivables	10	473,485	366,917
Contract assets	10	501,369	385,120
Income tax receivables	11	5,894	7,143
Financial assets	5	7,629	7,651
Derivative financial instruments	7	537	880
Cash and cash equivalents	12	202,008	204,686
TOTAL CURRENT ASSETS		1,643,951	1,414,172
TOTAL ASSETS		**5,741,795**	**5,500,733**

EQUITY AND LIABILITIES	Note	31 December 2023	31 December 2022
EQUITY			
Share capital		22,471	22,471
Reserves and retained earnings		2,138,309	2,044,625
Profit for the year		95,995	106,639
Equity attributable to equity holders of the parent	13	2,256,775	2,173,735
Non-controlling interests	14	15,566	17,075
TOTAL EQUITY		2,272,341	2,190,810
NON-CURRENT LIABILITIES			
Borrowings	15	1,494,485	1,482,052
Lease liabilities	15	173,886	178,521
Employee defined benefit liabilities	16	44,879	45,874
Provisions for risks and charges	17	5,033	5,230
Other payables	18	44,610	82,306
Deferred tax liabilities	8	359,134	365,116
TOTAL NON-CURRENT LIABILITIES		2,122,027	2,159,099
CURRENT LIABILITIES			
Borrowings	15	177,917	112,689
Lease liabilities	15	31,423	28,140
Trade and other payables	18	819,666	688,755
Contract liabilities	18	227,488	266,789
Income tax liabilities	11	40,534	10,349
Provisions for risks and charges	17	49,525	43,393
Derivative financial instruments	7	874	709
TOTAL CURRENT LIABILITIES		1,347,427	1,150,824
TOTAL LIABILITIES		3,469,454	3,309,923
TOTAL EQUITY AND LIABILITIES		**5,741,795**	**5,500,733**

Consolidated Income Statement

	Note	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	2,305,807	1,990,343
OTHER REVENUE	19	22,625	15,414
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		4,433	15,642
Change in inventory of raw, ancillary and consumable materials		3,462	26,514
Cost of raw, ancillary and consumable materials and goods for resale	20	(910,597)	(804,265)
Services, rentals and leases	21	(458,196)	(381,826)
Personnel costs	22	(576,934)	(541,997)
Capitalized costs	19	50,295	37,566
Depreciation, amortization and write-downs	23	(177,603)	(163,978)
Provisions for risks and charges		(7,389)	3,128
Other operating costs	24	(13,751)	(12,616)
TOTAL OPERATING COSTS		(2,086,280)	(1,821,832)
- of which: effect of non-recurring items	33	*(10,458)*	*(4,573)*
OPERATING PROFIT	1	242,152	183,925
- of which: effect of non-recurring items	33	*(10,458)*	*(4,573)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	33,221	71,068
Financial expense	26	(135,274)	(123,907)
TOTAL FINANCIAL INCOME AND EXPENSE		(102,053)	(52,839)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		687	(804)
PROFIT BEFORE TAXES		140,786	130,282
TAXES	27	(44,490)	(22,265)
PROFIT FOR THE YEAR		**96,296**	**108,017**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		95,995	106,639
NON-CONTROLLING INTERESTS		301	1,378
		96,296	**108,017**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**28**	**2.23**	**2.47**

Consolidated Statement of Comprehensive Income

	Note	2023	2022
Net profit for the year		96,296	108,017
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		(12,269)	(2,830)
Gains (losses) on cash flow hedges	13	(811)	6,293
Tax effect		197	(1,510)
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(12,883)**	**1,953**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Gains (losses) on financial assets measured at FVOCI	13	(713)	(2,797)
Actuarial gains (losses) on post employment benefit obligations	13	(641)	14,422
Gains (losses) from investments accounted for using the equity method		(507)	280
Tax effect		(52)	(3,713)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**(1,913)**	**8,192**
Gains and losses recognized in equity		**(14,796)**	**10,145**
Total comprehensive income		**81,500**	**118,162**
Attributable to:			
Equity holders of the parent		81,245	116,739
Non-controlling interests		255	1,423
		81,500	**118,162**

Statement of Changes in Consolidated Equity

	Share capital	Share premium reserve	Trans-lation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2022	**22,471**	**117,229**	**(3,274)**	**(5,058)**	**1,863,623**	**55,860**	**2,050,851**	**17,938**	**2,068,789**
Monetary revaluation by hiperinflation	–	–	–	–	6,145	–	6,145	–	6,145
Distribution of dividends	–	–	–	–	–	–	–	(1,800)	(1,800)
Allocation of earnings for 2021	–	–	–	–	55,860	(55,860)	–	–	–
Change of non-controlling interests	–	–	–	–	–	–	–	(486)	(486)
Total comprehensive income	–	–	(2,813)	1,986	10,927	106,639	116,739	1,423	118,162
Balance at 31.12.2022	**22,471**	**117,229**	**(6,087)**	**(3,072)**	**1,936,555**	**106,639**	**2,173,735**	**17,075**	**2,190,810**
Monetary revaluation by hiperinflation	–	–	–	–	5,991	–	5,991	–	5,991
Distribution of dividends	–	–	–	–	–	–	–	(960)	(960)
Allocation of earnings for 2022	–	–	–	–	106,639	(106,639)	–	–	–
Change of non-controlling interests	–	–	–	–	(4,196)	–	(4,196)	(804)	(5,000)
Total comprehensive income	–	–	(12,226)	(1,321)	(1,203)	95,995	81,245	255	81,500
Balance at 31.12.2023	**22,471**	**117,229**	**(18,313)**	**(4,393)**	**2,043,786**	**95,995**	**2,256,775**	**15,566**	**2,272,341**

Consolidated Statement of Cash Flow

	Note	31 December 2023	31 December 2022
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		95,995	106,639
Adjustments for:			
- Depreciation and amortization	23	174,210	163,081
- Writedowns/impairment	2	2,046	265
- Fair value remeasurement of the interest held in investment accounted for using the equity method		–	(17,337)
- Capital (gains) losses on disposal of non-current assets	19-24	(654)	(363)
- Changes in provisions for risks and charges and employee defined benefit liabilities		3,742	(6,189)
- Net interest expense	25-26	91,890	70,941
- Unrealized losses (gains) on exchange rate differences	26	1,743	2,115
- Other changes		(3,921)	(3,581)
- Taxes	27	44,490	22,265
- Non-controlling interests		301	1,378
- Result from investments accounted for using the equity method		(687)	804
Operating profit before changes in working capital		409,155	340,018
(Increase) decrease in trade and other receivables, including contracts assets	10	(216,229)	(223,587)
(Increase) decrease in inventories	9	(2,618)	(44,638)
Increase (decrease) in trade and other payables, including contracts liabilities	18	23,383	126,275
Taxes paid		(29,048)	(25,344)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		184,643	172,724
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(41,663)	(38,931)
Investments in intangible assets	3	(54,350)	(47,018)
Effect of acquisition of business divisions/companies	29	(14,079)	(17,853)
Purchase of investments	4	(2,044)	(154)
Payment of amounts due for acquisitions		(15,216)	(55,801)
Sale of subsidiaries and associates		–	1,455
Sale of non-current assets		1,684	1,004
Other changes		(1,823)	893
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(127,491)	(156,405)
FINANCING ACTIVITIES			
Granting of loans	15	3,025	2,319
Repayment of borrowings	15	(3,533)	(6,233)
Repayment of lease liabilities	15	(30,880)	(28,339)
Increase (decrease) in other financial payables	15	54,403	48,081
Change in non-controlling interests		(5,000)	–
Net change in financial assets and other non-current receivables		(5,716)	(1,619)
Dividends paid to non-controlling interests		(960)	(1,800)
Payment of interest		(72,147)	(56,213)
Receipt of interest		978	444
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(59,830)	(43,360)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**(2,678)**	**(27,041)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	12	**204,686**	**231,727**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	12	**202,008**	**204,686**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

These financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 18 March 2024 and have been audited by EY S.p.A.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as "IMA", "IMA S.p.A." or the "Parent"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna).

IMA S.p.A.is subject to management and coordination, pursuant to articles 2497 and following of the civil code, of SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., with registered office in Bologna, Via Farini 11, tax code, registration to the Register of Companies of Bologna and VAT number 02444341206 ("SOFIMA").

The share capital of IMA is all held by Sofima PIK S.p.A., with registered office in Via Farini 11, Bologna (BO), tax code, registration in the Bologna Companies Register and VAT number 03888711201.

The share capital of Sofima PIK S.p.A. is all held by SOFIMA.

At 31 December 2023 SOFIMA prepares the consolidated financial statements which include the largest group of companies belonging to the Group. These consolidated financial statements will be available at the Bologna Companies Register.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group has been applying International Accounting Standards since 2005, whereas the Parent Company IMA S.p.A., using the options provided for by Legislative Decree 38 of 28 February 2005, adopted International Accounting Standards in its own financial statements from 1 January 2006.

Given that there are no doubts or uncertainties about the IMA Group's ability to continue operating in the foreseeable future, these consolidated financial statements have been prepared on a going-concern basis.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current components. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group's normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

Costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature and a consolidated statement of other comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

Changes in equity are indicated in the relative statement.

The statement of cash flows has been prepared using the indirect method for determining cash flow from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements and the revenue or cost elements deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2023 are expressed in thousands of euros, except where otherwise indicated.

C) Accounting policies and accounting standards applied

The more significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

• Buildings and light constructions	10-40	years
• Plant and machinery	5-10	years
• Industrial and commercial equipment	4	years
• Other assets	4-9	years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalized in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

When accounting for the sale of property, plant and equipment, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

LEASES

The contract is, or contains, a lease if, in exchange for a fee, it grants the right to control the use of a specified asset for a certain period of time. When the Group acts as a lessee, at the effective date it recognises an asset consisting of the right of use and a lease liability.

Right-of-Use Assets

Right-of-use assets are recognised at cost and include the amount of the initial measurement of the lease liability, the payments due for the lease made on or before the effective date, net of lease incentives received, the initial direct costs incurred and, if applicable, dismantling costs. Right-of-use assets are depreciated on a straight-line basis for the lower of the lease term and the estimated useful life.

If, at the end of the lease term, the property is transferred to the lessee or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing as explained in the section entitled "Impairment of assets".

Lease liabilities

Lease liabilities are recognised at the present value of payments due over the life of the lease not paid at the start date, and include fixed payments net of any lease incentives to be received, variable payments due for the lease which depend on a index or rate, the amounts that the lessee is expected to pay as guarantees of the residual value, the exercise price of the purchase option, if it is reasonably certain that the lessee will exercise the option, and any penalty payments for termination of the lease if the duration of the lease takes into account the lessee exercising the option to terminate the lease.

The lease payments are estimated using the implicit interest rate of the lease, if this can be easily determined. If this is not possible, the incremental borrowing rate is used, i.e. the interest rate that would have to be paid for a loan, with a similar duration and guarantees, needed to obtain an asset of similar value to the right-of-use asset in a similar economic context. The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong.

The value of lease liabilities is increased to take interest into account and is decreased to take payments made into account. In addition, the carrying amount of the lease liabilities is re-measured if there is a change in the lease duration, a change in the valuation of a purchase option for the underlying asset, a change in future payments due for the lease deriving from a change in the index or rate used to determine payments.

The Group has included any extension periods covered by the renewal option in the duration of the contract, when it is assumed with reasonable certainty that it will be exercised, also in consideration of the experience acquired. A condition for renewal of the term is also that the Group can exercise the option without the consent of the counterparty or that the lessor is exposed to a significant penalty in case of termination of the contract.

The contracts that may envisage a renewal option refer mainly to property leases.

The Group did not apply this accounting method to the leases involving intangible assets, to short-term leases of property, plant and equipment and leases involving low-value assets. Low-value contracts refer mainly to electronic devices.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost. Development costs and goodwill have been booked to assets with the consent of the Board of Statutory Auditors.

Intangible assets with finite useful lives are amortized each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-15	years
• Software, licences, trademarks and similar rights	5-20	years
• Development costs	3-15	years

Assets with indefinite useful lives are not amortized but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

When accounting for the sale of intangible assets, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortized in relation to their future economic utility. Amortization begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortized. It is allocated to the related cash-generating units (CGUs) and, in accordance with IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset or a right-of-use asset, is impaired if its carrying amount is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified according to the subsequent methods of measurement, i.e. at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are valued at the transaction price determined according to IFRS 15, as commented on in the section entitled "Revenue from contracts with customers". For a financial asset to be classified and valued at amortized cost or at FVOCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called "Solely Payments of Principal and Interest or SPPI"). This assessment is referred to as an SPPI test and is performed at instrument level.

For the purpose of subsequent measurement, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortized cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is to own financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group measures assets from debt instruments at FVOCI if both the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved by collecting contractual cash flows and by selling the financial assets, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At the time of initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument.

Profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those that are carved out, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value are recognised in profit/(loss) for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the sections "Finance leases" and "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The fair value of currency derivatives is determined by their market value on the designated date and is recognised directly in the income statement as financial income/expense.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortized cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

With regard to impairment, the IAS 39 model based on incurred losses was replaced in 2018 by the expected credit loss (ECL) model, as provided for in IFRS 9. The model assumes a significant level of estimation regarding the impact of changes in economic factors on ECL which are weighted according to probabilities. The impairment loss model is applied to financial assets valued at amortized cost or at FVOCI, except for equity instruments and assets deriving from contracts with customers.

Credit hedging funds are measured using the following methodological approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires the classification of financial instruments included in the scope of application of IFRS 9 into three stages. The three stages reflect the level of deterioration in credit quality when the financial instrument is acquired and involve a different method of calculating the ECL;
- the Simplified Approach envisages, for trade receivables, contract assets and receivables deriving from lease contracts, the adoption of some simplifications, in order to avoid entities being forced to monitor changes in credit risk, as required by the General Model. Recognition of the impairment according to the simplified approach should be lifetime, so stage allocation is not required. One of the operational examples falling within the simplified approaches for the estimation of ECLs is that of the Provision Matrix, particularly suitable, in terms of its construction, for assessing trade receivables from a particularly fractioned clientèle but which offers the possibility of being categorised in the same risk classes. In fact, different impairment rates are determined in the provision matrix, making it possible to group together in the proposed matrix, first of all the receivables based on the days' delay in payment of the trade receivables. In addition to this aggregation variable, impairment rates are estimated by customer classes that show the same loss path. The standard does not lay down a single principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. According to the individual customer base, therefore, each entity organises the provision matrix by dividing customers into clusters using different factors and variables such as geographical area, product area and credit rating.

As anticipated above, when the General Deterioration Method is applied, financial instruments are classified into three stages according to the deterioration of their credit quality between the date of initial recognition and the measurement date:

- Stage 1 - for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: the expected losses are estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on the ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters are not estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;
- Stage 2 and 3 - on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

When defining the methodological approach to be applied to the assets in the scope of impairment, the financial assets in the portfolio subject to impairment were analyzed with particular reference to trade receivables and contract assets, which represent the majority of the Group's credit exposure.

For trade receivables and contract assets, the Group generally determines qualitative and quantitative thresholds to define the default of these positions which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. For trade receivables deemed individually significant by management and for which more detailed information on the significant increase in credit risk is available, a simplified approach has been applied within the simplified model.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks.

Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity.

No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies. As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

Financial liabilities are split by IFRS 9 into financial liabilities at amortized cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

As regards the put & call options on non-controlling interests, the Group recognizes a financial liability equal to the current value of the option's strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from net equity by reducing the non-controlling interest if the terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently re-measured at each closing date in accordance with IFRS 9.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method. Note that the Group has included the information required by article 1, paragraph 125, of Law 124 of 4 August 2017 in the notes.

TAXES

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

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are only offset when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control. The Group's main revenue streams are:

- machines and contracts in progress,

- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

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

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

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

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

Generally, the Group receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months.

Presentation in the financial statements is as follows:

- Contract assets: the right to a consideration in exchange for goods or services transferred to the customer. If the transaction is fulfilled before payment of the consideration or before the payment is due, the contract is presented as an asset deriving from a contract, excluding the amounts presented as receivables. At each balance sheet date, the Group checks whether the asset deriving from a contract has suffered impairment according to IFRS 9;
- Receivables: the unconditional right to a consideration. The right to consideration is unconditional if only the passage of time is required to make the payment due. At each reporting date, the Group checks for any impairment according to IFRS 9;
- Contract liabilities: the obligation to transfer to the customer any goods or services for which consideration has been received from the customer. If the customer pays the consideration before the goods or services have been transferred, the contract is presented as a liability deriving from a contract at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each project.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the statement of financial position. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The statements of financial position, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to statement of financial position assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation into Euro of foreign currency amounts, are as follows:

	2023		2022	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.105	1.081	1.067	1.053
GB pound sterling	0.869	0.870	0.887	0.853
Indian rupee	91.904	89.300	88.171	82.686
Chinese yuan	7.851	7.660	7.358	7.079
Swiss franc	0.926	0.972	0.985	1.005
Argentine peso	892.924	892.924	188.503	188.503

Following the adoption of IAS 29 Accounting in Hyperinflationary Economies, the year-end exchange rate of the Argentine Peso is used as the average exchange rate. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine Peso.

HYPERINFLATION

In application of IAS 29 Accounting in Hyperinflationary Economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be reported in the current unit of measurement at the year-end date.

The statement of financial position values not yet expressed in the current unit of measurement at the balance sheet date, i.e. non-monetary assets and liabilities and equity, are restated by applying a general price index that reflects the changes in general purchasing power.

The monetary elements, represented by any cash held and by the asset or liability items whose values must be received or paid in cash, are not restated as they are already expressed in the current unit of measurement at the balance sheet date.

The gain or loss on the net monetary position is recognized in the income statement. Income statement balances are translated by applying the closing exchange rate instead of the average exchange rate, as required by IAS 21.

The standard is applied to the subsidiaries in Argentina.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management has to apply accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the statement of financial position, income statement and statement of cash flows, as well as the explanatory notes.

The financial statement items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets: as required by the accounting standards they were subjected to an impairment procedure, as reported in Note 3,
- deferred tax assets,
- inventories,
- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on non-controlling interests,
- bad debt provisions,
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a liability by lease and the related discount rate,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, in relation to both the allocation of the price of business combinations and the impairment test, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

As regards revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by the directors.

These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

With regard to environmental issues and climate change, please refer to the comments in the Report on Operations. In applying the accounting standards and, more generally, in preparing the economic and financial reporting, the Group has taken into account any impacts deriving from environmental issues and climate change, not finding any significant impacts, with particular reference to significant estimates and assumptions. With specific reference to the impairment of non-financial assets, the Group has considered risks arising from climate-related issues in assessing whether there are indications that these non-financial assets may be impaired without identifying indicators of impairment related to these issues.

the COVID-19, THE CONFLICT IN UKRAINE and the Middle Eastern crisis

For more than a year now, the Covid-19 pandemic has been on a downward trend, with population immunity rising due to vaccinations and infections, mortality decreasing and pressure on health systems easing. In May 2023, the World Health Organisation declared the end of the pandemic that began more than three years ago.

The global economic picture could be made worse by a deterioration of the Russian-Ukrainian conflict or the situation in the Middle East. The deterioration of relations between the West and Russia and the spectre of an expansion of the conflict in the Middle East could have further repercussions on the stability of international balances and relations, as well as on economic growth and trade relationships, depending on whether the situation escalates or not.

When preparing the financial statements as of 31 December 2023, the directors assessed the impact that the current macroeconomic and geopolitical environment could have on the application of accounting standards and, more generally, on economic and financial reporting, particularly regarding the assumptions and uncertainties inherent in estimating the measurement of assets and liabilities. No significant impacts emerge from the analysis conducted. It will be the responsibility of the directors to monitor the development of the geopolitical situation in order to promptly identify appropriate responses to contain any effects of the conflicts mentioned above.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's segment information is divided into the Pharmaceutical, Consumer and Automation segments, grouped together by their markets of reference.

IMPLEMENTATION OF ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applied from 1 January 2023

The other amendments and interpretations of accounting standards and methods in force from 1 January 2023 govern circumstances and situations that are not present, not relevant or that have not had material effects on the Group's consolidated financial statements:

- IFRS 17 - Insurance Contracts;
- Amendments to IFRS 17 - Insurance Contracts - Comparative Information;
- Amendments to IAS 1 - Disclosure of Accounting Policies; e IFRS Practice Statement 2;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction;
- Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules.

The amendments to IAS 12- International Tax Reform-Pillar Two Model Rules provide a temporary mandatory exemption to the recognition of deferred taxes for Top-Up Tax and disclosure requirements on Pillar Two exposures as of 31 December 2023. The temporary mandatory exemption, for whose use disclosure is required, is immediately applicable, while the remaining disclosure requirements apply for fiscal years beginning on or after 1 January 2023. These changes have been applied by the Group and the relevant disclosures have been reflected in these financial statements.

Accounting standards issued but not yet in force

The Group does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document:

- Amendments to IAS 1 - Presentation of Financial Statements: classification of liabilities as current or non-current; and non-current liabilities with covenants;
- Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements;
- Amendments to IAS 21 - Lack of Exchangeability;
- Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
    a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
    b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
    c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

Credit risk

The operational management of this risk is delegated to the Credit Management function, which operates on the basis of a Credit Policy that regulates:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables.

With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed at Group companies and are therefore considered to be at a likelihood of immaterial risk.

It should be noted that at 31 December 2023 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2023 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

Liquidity risk

The difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements. The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines laid down by the Finance Department.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

In addition to what has already been said about the bond loan and the Super Senior Revolving borrowing facilities, since 2021, a programme has been implemented to concentrate the cash of some Italian subsidiaries in a master account held by IMA S.p.A., using the zero balance method, a programme that was subsequently extended to certain foreign subsidiaries. The same cash management model was used between IMA Life North America Inc. and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31.12.2023				
Borrowings and lease liabilities	209,340	1,611,387	56,984	1,877,711
Commitments	13,903	5,907	5,525	25,335
Trade Payables	608,455	–	–	608,455
Total	**831,698**	**1,617,294**	**62,509**	**2,511,501**
31.12.2022				
Borrowings and lease liabilities	140,829	93,790	1,566,783	1,801,402
Commitments	8,094	1,647	–	9,741
Trade Payables	535,487	–	–	535,487
Total	**684,410**	**95,437**	**1,566,783**	**2,346,630**

Further information on the composition of the above items is provided in Notes 15, 18 and 31.

At 31 December 2023 the Group had about 407 million euros available in unused lines of credit (465 million euros at 31 December 2022) and cash and cash equivalents of 202 million euros (205 million euros at 31 December 2022).

As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 884 million euros at 31 December 2023 (685 million euros at 31 December 2022).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. Market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area. The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of these risks:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	202,008	45,907	(848)	–	883	–
Trade and other receivables	979,776	233,751	(4,486)	–	4,666	–
Financial assets at amortized cost, at FVOCI and at FVPL	18,840	3,308	(57)	–	60	–
Derivative financial instruments	3,303	537	954	–	(204)	–
Tax effect			1,065	–	(1,297)	–
			(3,372)	**–**	**4,108**	**–**
Financial liabilities:						
Borrowings	399,555	1,026	21	–	(21)	–
Bonds	1,272,847	–	–	–	–	–
Lease liabilities	205,309	–	–	–	–	–
Trade and other payables	1,091,764	180,882	3,506	–	(3,646)	–
Derivative financial instruments	874	874	214	–	(1,012)	–
Tax effect			(898)	–	1,123	–
			2,843	**–**	**(3,556)**	**–**
Total increases (decreases) for 2023			**(529)**	**–**	**552**	**–**
Total increases (decreases) for 2022			**18**	**805**	**(23)**	**(967)**

2023 and 2022 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following table breaks down trade and other receivables and payables by currency:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	676,867	73,624	728,265	227,734
US dollar	121,162	8,785	56,791	13,152
Swiss franc	67,384	5,795	24,684	4,592
Indian rupee	1,444	1,290	3,468	1,616
GB Pound sterling	2,752	698	2,614	1,190
Thai baht	2,733	329	5,341	275
Chinese yuan	4,675	1,209	5,803	3,610
Brazilian real	2,509	1,296	2,280	1,382
Malaysian ringgit	1,704	363	1,274	729
Russian ruble	1,199	406	1,723	263
Argentine Peso	381	1,012	993	693
Other	1,663	496	2,707	585
Total at 31 December 2023	**884,473**	**95,303**	**835,943**	**255,821**
Euro	523,910	51,392	674,722	208,517
US dollar	93,168	6,408	77,875	12,450
Swiss franc	47,723	2,189	19,992	4,592
Indian rupee	1,458	1,489	3,422	1,939
GB Pound sterling	2,984	820	3,176	873
Thai baht	5,710	3,425	3,276	785
Chinese yuan	4,632	1,501	8,052	3,539
Brazilian real	1,524	1,101	5,214	580
Malaysian ringgit	1,763	431	2,084	691
Russian ruble	261	579	1,977	120
Argentine Peso	561	1,692	1,799	1,044
Other	1,328	638	687	444
Total at 31 December 2022	**685,022**	**71,665**	**802,276**	**235,574**

It should also be noted that at 31 December 2023 the financial assets at amortized cost, FVOCI and FVPL are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically purchases of IRS and caps and sales of floors which, once a certain level has been reached, transform a floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

in thousands of euros	Carryng value	Of which subject to IRR	Interest rate risk (IRR) Increase effect Profits (Losses)	Other changes in FVR	Decrease effect Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	202,008	96,510 (*)	83	–	(502)	–
Trade and other receivables	979,776	–	–	–	–	–
Financial assets at amortized cost, at FVOCI and at FVPL	18,840	–	–	–	–	–
Derivative financial instruments	3,303	2,766	9	782	(9)	(830)
Tax effect			(22)	(188)	123	199
			70	**594**	**(388)**	**(631)**
Financial liabilities:						
Borrowings	399,555	161,455 (*)	(797)	–	797	–
Bonds	1,272,847	450,000	(2,250)	–	2,250	–
Lease liabilities	205,309	27,071	(183)	–	183	–
Trade and other payables	1,091,764	–	–	–	–	–
Derivative financial instruments	874	–	–	–	–	–
Tax effect			775	–	(775)	–
			(2,455)	**–**	**2,455**	**–**
Total increases (decreases) for 2023			**(2,385)**	**594**	**2,067**	**(631)**
Total increases (decreases) for 2022			**(2,005)**	**608**	**2,065**	**(646)**

2023 and 2022 variability parameters +/- 50 bp €/$

(*) Annual average.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

The Group considered that to date the variables underlying the determination of variable interest rates continue to be quantities widely traded on the markets.

Exchange rate and interest rate risk management is carried out by the individual companies' treasury departments in line with the "Risk Management Policy”.

Price risk

At 31 December 2023, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimizing value for shareholders by maintaining an appropriate capital structure and reducing its cost. The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net financial debt and its equity:

in thousands of euros	2023	2022
Net financial debt (A)	1,665,863	1,587,520
Equity (B)	2,272,341	2,190,810
Total capital (A)+(B)=(C)	3,938,204	3,778,330
Gearing ratio (A)/(C)	**42%**	**42%**

In relation to the change in net financial debt and shareholders' equity, please refer to the comments in Notes 15 and 13.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the statement of financial position:

- Level 1: Quoted prices in active markets;
- Level 2: Inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: Inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2023 and 31 December 2022 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	12,927	12,927
Derivative financial instruments	–	3,303	–	3,303
Total assets at 31 December 2023	**–**	**3,303**	**12,927**	**16,230**
Liabilities:				
Payables for acquisitions	–	–	106,532	106,532
Derivative financial instruments	–	874	–	874
Total liabilities at 31 December 2023	**–**	**874**	**106,532**	**107,406**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	10,405	10,405
Derivative financial instruments	–	5,005	–	5,005
Total assets at 31 December 2022	**–**	**5,005**	**10,405**	**15,410**
Liabilities:				
Payables for acquisitions	–	–	95,148	95,148
Derivative financial instruments	–	709	–	709
Total liabilities at 31 December 2022	**–**	**709**	**95,148**	**95,857**

Investments in other companies and investments in securities held as financial assets at FVOCI are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except for the investment in Mint Street Holding S.p.A., a financial asset valued at FVPL.

During 2023, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2022	11,777	92,537
Profit/(losses) recognized in P.L.	–	(3,857)
Profit/(losses) recognized in OCI	(2,797)	–
Acquisition of ATOP S.p.A.	–	(23,309)
Acquisition of Dairy & Food business	–	32,614
Increases/(decreases)	1,425	(2,837)
Balance at 31.12.2022	**10,405**	**95,148**
Profit/(losses) recognized in P.L.	–	(3,385)
Profit/(losses) recognized in OCI	(713)	–
Acquisition of Tissue Machinery Company S.p.A.	–	(9,509)
Acquisition of Mespic S.r.l.	–	13,076
Acquisition of Phoenix Italia S.r.l.	–	16,798
Increases/(decreases)	3,235	(5,596)
Balance at 31.12.2023	**12,927**	**106,532**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, represented by potential payments associated with the purchase of non-controlling interests in subsidiaries.

E) CONSOLIDATION PRINCIPLES

Subsidiary companies

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity.

The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, the difference is recognized directly in the income statement.

The Group reckons that it has acquired a business when the integrated set of activities and assets includes at least one factor of production and a substantial process which together contribute significantly to the ability to generate an output.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated statement of financial position and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2023 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control. A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The main events in 2023 regarding the companies included in the consolidation area are as follows:

- the reverse merger by the subsidiary Claren Cutting Service S.r.l., with effect from 1 January 2023, absorbing its parent company, Spares & More S.r.l., changing the company's name to Spares Service & Machinery S.r.l.;

- merger, with effect from 1 January 2023, with Thomas Llc being absorbed by its parent IMA North America Inc.;
- on 20 January 2023 the Parent Company completed its purchase of the residual 20% of Petroncini Impianti S.p.A., already consolidated line-for-line, for 5,000 thousand euros, which was all paid at the closing;
- on 10 July 2023, IMA S.p.A. finalized the purchase of the residual 10.4% stake in Record S.p.A. for an amount of 2,000 thousand euros, after exercising the option envisaged in the contract;
- on 13 July 2023, IMA S.p.A. completed the acquisition of 60% of Phoenix Italia S.r.l., a company based in Bareggio (Milan), which in turn controls 100% of Phoenix Tech S.r.l., for 8,385 thousand euros paid at the time of the closing. The contract also provides for IMA S.p.A. to pay further portions of deferred compensation subject to the achievement of certain economic objectives, for an estimated amount of 5,660 thousand euros, so for a total of 14,045 thousand euros. Phoenix develops, manufactures and sells labelling solutions for distributors, system integrators and machine manufacturers, covering various sectors, with a particular focus on logistics. The agreements also provide for put and call options on the remaining 40%. For further details, please read Note 29 - Business combination;
- on 18 July 2023, IMA S.p.A. finalized the closing for the purchase of 70% of Mespic S.r.l., a company based in Faenza (Ravenna), which in turn controls 100% of Mespic North America Corp., for 13,440 thousand euros, paid at the time of the closing. Mespic develops, manufactures and sells bespoke machines, from conveyor belts to wrappers, case packers to palletizers, and complete turnkey end-of-line systems, designed to serve a wide variety of applications. The agreements signed by the parties also provide for a variable earn-out linked to the achievement of certain economic objectives and put and call options on the remaining 30%. For further details, please read Note 29 - Business combination;
- on 8 August 2023, IMA S.p.A. finalized the purchase of the residual 17.5% stake in Record S.p.A. for an amount of 10,286 thousand euros, after exercising the option envisaged in the contract.

On 31 July 2023, IMA announced that BDT & MSD Partners, an investment bank set up to meet the specific needs of entrepreneurs and long-term strategic investors, had signed a binding agreement to make a minority investment in the company through some of its affiliated funds. BDT & MSD Partners will buy its stake from BC Partners and other investors. The Vacchi family will remain the majority shareholder of IMA. The transaction was completed in January 2024 subject to obtaining the usual regulatory approvals.

Merger by absorption of Phoenix Tech S.r.l. by Phoenix Italia S.r.l.

On 14 December 2023, the resolutions approving the merger by absorption of Phoenix Tech S.r.l. by Phoenix Italia S.r.l. were filed with the pertinent Company Register. The merger was completed during 2023, with effect from 1 January 2024.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's main operating segments are explained below:

Pharmaceutical

It makes machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services.

Operations in this sector are carried out mainly by the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe Division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life Division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active Division;
  - end-of-line machines through the BFB Division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions.

<u>Consumer</u>

It produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for tobacco packaging and for the tissue segment, as well as related services.

Operations in this sector are carried out mainly by the following companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags through the Tea & Herbs Division;
  - overhaul of used machines for processed cheeses and tea and herbs in filter paper bags through the RI Division;
  - machines for food and personal care through the GIMA Division;
  - machines for the coffee sector through the Coffee Division;
  - tobacco packaging machines through the IMA T&T division;
  - pouch-filling machines through the Fillshape Division
  - machines and systems for dosing and packaging cheese in portions and stock cubes through the Corazza division;

- Alphamac S.r.l. designs and produces fluid packaging machines.
- Benhil GmbH produces machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Eurosicma S.p.A. produces machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industry;
- Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Erca S.A.S. and INTECMA S.A. manufacture machines for forming, filling and sealing, for containers and sticks;
- Ilapak International SA, Ilapak Italia S.p.A. and Delta Systems & Automation Llc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A.U. manufactures machines for the packaging of tea and herbal teas in filter bags;
- Mespic S.r.l. designs and produces wrapping machines, case packers and palletisers for the end of line;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Phoenix Italia S.r.l. designs and produces labelling machines;
- Record S.p.A. designs and produces low-medium speed machinery and plants in the flexible packaging sector, known as "flow pack", for the packaging of food and non-food products;
- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for the packaging and management of tissue and personal care products.

Automation

It deals with technological solutions in various market segments, including Personal Care and Pharmaceuticals, and in particular the production of systems for the assembly of medical products, for the production of electric motors, automotive, e-mobility and caps & closures, as well as related services.

Operations in this sector are carried out mainly by the following companies:

- IMA S.p.A. manufactures:
  - machines for assembly through the Automation Division, Bologna;
  - machines for the assembly of plastic materials in the caps and closures sector through the Automation Division, Alessandria;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors for the automotive sector;
- FASP S.r.l. produces machines and automatic production lines for electric motors;
- IMA Automation Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2023 and 2022 is shown below:

in thousands of euros	Pharma-ceutical	Consumer	Automation	Not allocated (*)	Total
2023					
Revenue from contracts with customer	990,658	922,857	392,292	–	2,305,807
Segment operating profit	121,507	82,866	37,779	–	242,152
Net financial income (expense) (**)					(102,053)
Profit (loss) from investments accounted for using the equity method	2,150	(1,446)	–	(17)	687
Profit before taxes					140,786
Taxes					(44,490)
Profit for the year					96,296

in thousands of euros	Pharma-ceutical	Consumer	Automation	Not allocated (*)	Total
2022					
Revenue from contracts with customer	885,582	820,722	284,039	–	1,990,343
Segment operating profit	97,203	72,575	14,147	–	183,925
Net financial income (expense) (**)					(52,839)
Profit (loss) from investments accounted for using the equity method	316	(1,093)	–	(27)	(804)
Profit before taxes					130,282
Taxes					(22,265)
Profit for the year					108,017

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.

(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenue over the corresponding period of 2022:

in thousands of euros	2023	2022	Change
Pharmaceutical	990,658	885,582	105,076
Consumer	922,857	820,722	102,135
Automation	392,292	284,039	108,253
Total	**2,305,807**	**1,990,343**	**315,464**

Consolidated revenue for the year 2023 came to 2,305,807 thousand euros, a significant increase of 15.9% due to the higher backlog at the beginning of the year and the positive order intake during the period.

Revenue by segment is discussed below:

- the Pharmaceutical Segment shows an increase of 11.9%, due to the higher backlog at the beginning of the year and the positive order intake during the period, confirming the constant expansion of this segment;
- the Consumer Segment recorded growth, increasing by 12.4% compared with the previous year, mainly due to the higher backlog at the beginning of the year and the positive order intake during the period. The contribution made by the newly acquired Mespic and Phoenix businesses came to a total of 16,948 thousand euros;
- the Automation Segment came in at 392,292 thousand euros, which is well up on the previous year following the higher backlog at the beginning of the year and the order intake during the period.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2023	2022	Change
Pharmaceutical	121,507	97,203	24,304
Consumer	82,866	72,575	10,291
Automation	37,779	14,147	23,632
Total	**242,152**	**183,925**	**58,227**

The Pharmaceutical Segment recorded an increase on the previous year, achieving an operating profit of 121,507 thousand euros (12.3% of revenue) compared with 97,203 thousand euros in 2022, after deducting non-recurring charges of 3,340 thousand euros (2,369 thousand euros the previous year), thanks to higher volumes and rising industrial margins.

The Consumer Segment's operating profit was 82,866 thousand euros (9.0% of revenue) vs 72,575 thousand euros in 2022 (8.8% of revenue) with a contribution from the newly acquired Dairy & Food business of 1,868 thousand euros, after deducting non-recurring charges of 6,013 thousand euros (1,498 thousand the previous year).

The operating profit of the Automation Segment increased significantly compared with the previous year, coming in at 37,779 thousand euros compared with 14,147 thousand euros in 2022, after deducting non-recurring charges of 1,195 thousand euros (707 thousand euros the previous year), mainly thanks to higher volumes and better industrial margins.

The tables below provide other income statement information regarding Group operations by sector:

	2023			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Amortization, depreciation, impairment and writedowns	75,051	73,003	28,202	176,256
Other non-monetary costs (revenues)	4,906	11,316	761	16,983

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Amortization, depreciation, impairment and writedowns	71,382	65,559	26,405	163,346
Other non-monetary costs (revenues)	3,716	4,606	391	8,713

The increase in depreciation and amortization in the Consumer Segment reflects the acquisition of the Mespic and Phoenix businesses for 2,676 thousand euros.

The increase in other non-monetary costs mainly refers to the different changes in provisions for risks and charges.

Capital expenditure by operating segment are as follows:

in thousands of euros	2023	2022	Change
Pharmaceutical	51,280	56,538	(5,258)
Consumer	41,630	39,351	2,279
Automation	30,463	23,732	6,731
Total	**123,373**	**119,621**	**3,752**

Balance sheet information at 31 December 2023 is shown below:

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Balance sheet information at 31 December 2022 is shown below:

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

	31 December 2023				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating assets	2,342,217	2,108,016	964,400	–	5,414,633
Investments accounted for using the equity method	21,563	3,522	–	21	25,106
Financial assets	8,426	–	–	10,414	18,840
Deferred tax assets					75,314
Income tax receivables					5,894
Cash and cash equivalents					202,008
Total assets					5,741,795

	31 December 2023				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating liabilities	448,939	526,515	216,298	–	1,191,752
Borrowings and lease liabilities					1,877,711
Deferred tax liabilities					359,134
Income tax liabilities and other provision for risks					40,857
Total liabilities					3,469,454

	31 December 2022				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating liabilities	496,204	484,896	151,348	–	1,132,448
Borrowings and lease liabilities					1,801,402
Deferred tax liabilities					365,116
Income tax liabilities and other provision for risks					10,957
Total liabilities					3,309,923

	31 December 2022				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating assets	2,316,974	2,002,503	858,333	–	5,177,810
Investments accounted for using the equity method	19,880	4,768	–	38	24,686
Financial assets	4,426	–	–	10,468	14,894
Deferred tax assets					71,514
Income tax receivables					7,143
Cash and cash equivalents					204,686
Total assets					5,500,733

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows.

The information periodically reviewed by the highest operational decision-making level was considered, split into three categories: geographical area, business segment and timing of recognition.

***R*EVENUE BY GEOGRAPHICAL AREA**

in thousands of euros	2023 Pharma-ceutical	2023 Consumer	2023 Automation	2023 Total
European Union (excluding Italy)	272,894	256,206	172,618	701,718
Other European countries	74,962	98,289	28,492	201,743
North America	206,434	179,816	106,001	492,251
Asia & Middle East	184,550	155,836	51,575	391,961
Italy	140,531	112,057	29,401	281,989
Other countries	111,287	120,653	4,205	236,145
Total	990,658	922,857	392,292	2,305,807

in thousands of euros	2022 Pharma-ceutical	2022 Consumer	2022 Automation	2022 Total
European Union (excluding Italy)	229,591	205,665	101,595	536,851
Other European countries	74,319	125,629	43,609	243,557
North America	200,054	181,798	64,506	446,358
Asia & Middle East	180,832	114,117	33,017	327,966
Italy	137,414	99,307	34,946	271,667
Other countries	63,372	94,206	6,366	163,944
Total	885,582	820,722	284,039	1,990,343

Revenue is allocated according to the geographical area of the invoiced customer.

The Group does not have any companies in Ukraine, whereas it does have three trading companies in Russia and one in Israel. While keeping a close eye on the ever-changing situation, we do not expect to have significant repercussions as the impact of those markets in 2023 was approximately 1.7% of total revenue and 1.6% of the backlog.

The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from EU countries, excluding Italy, is increasing significantly in Ireland, Sweden and Poland, with good performances in France, Spain and Germany;
- sales in other European countries have decreased compared with the previous year, particularly in Switzerland and Serbia;
- North America has increased thanks to higher volumes, also because there is essentially no local competition in the Group's sectors of reference;
- in Asia and the Middle East the trend is growing and confirms the importance of this market, which now accounts for 17% of Group sales. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer;
- revenue from other countries has posted significant growth in percentage terms, especially in Brazil, Mexico and Australia;
- the growth in Italy was due to a higher number of projects compared with the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analysed by geographical area are as follows:

in thousands of euros	31.12.2023	31.12.2022
Italy	3,292,179	3,269,578
European Union (excluding Italy)	217,643	226,032
Other European countries	124,392	117,499
North America	271,864	279,965
Asia & Middle East	70,648	73,146
Other countries	40,566	42,839
Total	**4,017,292**	**4,009,059**

Operations are allocated to the geographical areas in which they are located. The increase is substantially attributable to the acquisition of the Mespic and Phoenix businesses.

REVENUE BY BUSINESS CATEGORY

	2023			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Original Equipment	630,482	584,653	338,802	1,553,937
After-Sales	360,176	338,204	53,490	751,870
Total	990,658	922,857	392,292	2,305,807

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Original Equipment	595,807	533,282	244,080	1,373,169
After-Sales	289,775	287,440	39,959	617,174
Total	885,582	820,722	284,039	1,990,343

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

REVENUE BY TIMING OF RECOGNITION

	2023			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Revenue at a point in time	375,288	466,182	57,148	898,618
Revenue over time	615,370	456,675	335,144	1,407,189
Total	990,658	922,857	392,292	2,305,807

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Revenue at a point in time	324,596	480,815	47,074	852,485
Revenue over time	560,986	339,907	236,965	1,137,858
Total	885,582	820,722	284,039	1,990,343

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time.

The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

2. Property, plant and equipment and right of use assets

PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Land and building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.2022						
Gross amount	66,389	114,219	42,508	57,442	18,488	299,046
Accumulated depreciation and write-downs	(13,787)	(67,173)	(36,091)	(40,459)	–	(157,510)
Balances at 01.01.2022	**52,602**	**47,046**	**6,417**	**16,983**	**18,488**	**141,536**
Monetary revaluation for hiperinflation	–	1,054	–	111	128	1,293
Additions	1,314	11,377	2,103	6,441	9,652	30,887
Sales and eliminations	–	(471)	(17)	(29)	(6)	(523)
Acquisition of Dairy & Food business	9,554	1,564	521	982	19	12,640
Depreciation	(2,327)	(10,322)	(2,844)	(6,410)	–	(21,903)
Reclassifications and other changes	2,801	7,234	192	17	(8,401)	1,843
Exchange rate difference	254	(442)	20	46	192	70
Balances at 31.12.2022	**64,198**	**57,040**	**6,392**	**18,141**	**20,072**	**165,843**
Balances at 01.01.2023						
Gross amount	88,051	141,396	47,613	67,791	20,072	364,923
Accumulated depreciation and write-downs	(23,853)	(84,356)	(41,221)	(49,650)	–	(199,080)
Balances at 01.01.2023	**64,198**	**57,040**	**6,392**	**18,141**	**20,072**	**165,843**
Monetary revaluation for hiperinflation	–	1,029	–	177	118	1,324
Additions	2,745	12,746	3,579	7,527	6,161	32,758
Sales and eliminations	–	(492)	(10)	(42)	–	(544)
Change in scope of consolidation	–	187	26	219	–	432
Depreciation	(2,504)	(11,730)	(2,934)	(6,480)	–	(23,648)
Write-downs/impairment	–	(2,046)	–	–	–	(2,046)
Reclassifications and other changes	6,049	8,890	112	133	(15,035)	149
Exchange rate difference	(315)	(1,885)	(21)	(173)	(344)	(2,738)
Balances at 31.12.2023	**70,173**	**63,739**	**7,144**	**19,502**	**10,972**	**171,530**
Gross amount	96,423	158,454	50,928	74,179	10,972	390,956
Accumulated depreciation and write-downs	(26,250)	(94,715)	(43,784)	(54,677)	–	(219,426)
Balances at 31.12.2023	**70,173**	**63,739**	**7,144**	**19,502**	**10,972**	**171,530**

The "Currency revaluation due to hyperinflation" relates to the Argentine subsidiaries IMA MAI S.A. and Tecmar S.A..

The increases for the year mainly refer to capital expenditure on plant, machinery, equipment and electronic machines, as well to the acquisition by the subsidiary IMA Life North America Inc. of a piece of land for the building of a new industrial plant for 2,260 thousand US dollars.

"Writedowns/Impairment", of 2,046 thousand Euro, attributable to Ilapak Italia S.p.A., relates to machines for packaging in DOY bags.

Reclassifications and other changes mainly reflect completion of the Parent Company's industrial building in the municipality of Parma and machinery built internally.

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2023	31.12.2022	31.12.2023	31.12.2022
IMA S.p.A.	5,960	5,958	10,224	4,052
ATOP S.p.A.	151	151	13,232	13,702
Ciemme S.r.l.	780	780	2,887	3,209
Delta Systems & Automation Llc	1,251	1,297	4,433	4,789
Erca S.A.S	438	438	815	917
Hassia Verpackungsmaschinen GmbH	1,600	1,600	5,969	6,227
Ilapak Inc.	172	178	546	712
Ilapak Italia S.p.A.	763	763	3,060	3,189
Ilapak Sp. Z o.o.	441	409	722	696
Ilapak Verpackungsmaschinen GmbH	115	115	416	432
IMA France Eurl	183	183	280	299
IMA Life North America Inc.	2,045	–	–	–
IMA-PG India Pvt. Ltd.	1,715	1,787	1,152	1,262
Record S.p.A.	540	540	3,926	4,164
Società del Sole S.r.l.	2,984	2,984	–	–
Tissue Machinery Company S.p.A.	728	728	2,445	2,425
Other	31	31	169	181
Total	**19,897**	**17,942**	**50,276**	**46,256**

"Other assets" comprise:

in thousands of euros	31.12.2023	31.12.2022
Electronic office machines	11,645	10,507
Office furniture and fittings	6,057	5,923
Vehicles	1,494	1,337
Other	306	374
Total	**19,502**	**18,141**

Assets under construction and advances mainly include equipment, plant and machinery under construction.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

Mortgages have been granted on the properties in Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans, as commented on in Note 15.

There are no internal or external elements to suggest that assets have suffered an impairment in value.

RIGHT OF USE ASSETS

The following table provides details of the right of use assets and related changes during the period:

in thousands of euros	Land and building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Balances at 01.01.2022						
Gross amount	340,521	1,284	687	10,851	5,010	358,353
Accumulated depreciation	(96,761)	(569)	(87)	(5,336)	–	(102,753)
Balances at 01.01.2022	**243,760**	**715**	**600**	**5,515**	**5,010**	**255,600**
Monetary revaluation for hiperinflation	635	–	–	–	–	635
Additions	36,636	228	216	3,072	1,564	41,716
Acquisition of Dairy & Food business	4,162	736	–	668	–	5,566
Depreciation	(31,508)	(282)	(198)	(3,088)	–	(35,076)
Reclassifications and other changes	(288)	(103)	77	(388)	(3,575)	(4,277)
Exchange rate difference	981	–	–	5	–	986
Balances at 31.12.2022	**254,378**	**1,294**	**695**	**5,784**	**2,999**	**265,150**
Gross amount	381,229	2,328	1,064	12,471	2,999	400,091
Accumulated depreciation	(126,851)	(1,034)	(369)	(6,687)	–	(134,941)
Balances at 31.12.2022	**254,378**	**1,294**	**695**	**5,784**	**2,999**	**265,150**
Monetary revaluation for hiperinflation	524	–	–	–	–	524
Additions	30,815	39	5	4,277	1,129	36,265
Change in scope of consolidation	4,336	44	–	369	–	4,749
Depreciation	(34,875)	(245)	(174)	(3,414)	–	(38,708)
Reclassifications and other changes	(1,397)	(121)	(48)	(104)	(962)	(2,632)
Exchange rate difference	(1,191)	2	–	29	–	(1,160)
Balances at 31.12.2023	**252,590**	**1,013**	**478**	**6,941**	**3,166**	**264,188**
Gross amount	409,680	1,860	878	14,515	3,166	430,099
Accumulated depreciation	(157,090)	(847)	(400)	(7,574)	–	(165,911)
Balances at 31.12.2023	**252,590**	**1,013**	**478**	**6,941**	**3,166**	**264,188**

During 2023 right-of-use assets were recognized for a total of 27,360 thousand euro, mainly for the updating of existing lease contracts and improvements by Group companies, for 8,905 thousand euros, mainly for industrial properties leased by the Parent Company in Ozzano dell'Emilia (BO).

The other assets are mainly cars and assets under construction mainly refer to the real estate complexes in Ozzano dell'Emilia (BO).

There are no internal or external elements to suggest that right-of-use assets have suffered impairment.

Investments in property, plant and equipment reported in the consolidated cash flow statement include additions in own properties and improvements classified under right-of-use assets.

3. Intangible assets

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.2022						
Gross amount	419,942	38,230	1,075,875	2,146,976	48,813	3,729,836
Accumulated amortization and write-downs	(126,367)	(30,480)	(111,462)	–	–	(268,309)
Balances at 01.01.2022	**293,575**	**7,750**	**964,413**	**2,146,976**	**48,813**	**3,461,527**
Additions	4,251	4,120	9,597	–	29,050	47,018
Acquisition of Dairy & Food business	28,671	465	46,980	64,165	97	140,378
Amortization	(44,078)	(2,544)	(59,480)	–	–	(106,102)
Write-downs/impairment	–	–	–	–	(265)	(265)
Reclassifications and other changes	15,703	(10)	268	–	(15,923)	38
Exchange rate difference	214	13	30	286	213	756
Balances at 31.12.2022	**298,336**	**9,794**	**961,808**	**2,211,427**	**61,985**	**3,543,350**
Balances at 01.01.2023						
Gross amount	473,289	43,736	1,139,143	2,211,427	61,985	3,929,580
Accumulated amortization and write-downs	(174,953)	(33,942)	(177,335)	–	–	(386,230)
Balances at 01.01.2023	**298,336**	**9,794**	**961,808**	**2,211,427**	**61,985**	**3,543,350**
Additions	7,956	2,036	10,008	–	34,350	54,350
Acquisition of Mespic and Phoenix business	17,414	–	29,798	9,816	–	57,028
Amortization	(47,301)	(2,759)	(61,794)	–	–	(111,854)
Reclassifications and other changes	34,626	(24)	654	–	(35,273)	(17)
Exchange rate difference	127	(9)	(13)	(169)	14	(50)
Balances at 31.12.2023	**311,158**	**9,038**	**940,461**	**2,221,074**	**61,076**	**3,542,807**
Gross amount	533,595	45,587	1,181,727	2,221,074	61,076	4,043,059
Accumulated amortization and write-downs	(222,437)	(36,549)	(241,266)	–	–	(500,252)
Balances at 31.12.2023	**311,158**	**9,038**	**940,461**	**2,221,074**	**61,076**	**3,542,807**

As part of the acquisition of the Mespic and Phoenix businesses, unpatented technologies classified under Development costs were recognized during the year for 17,291 thousand euros with an estimated useful life of 10 years, as well as Brand intangible assets for 3,176 thousand euros with an estimated useful life of 20 years and Customer relationships for 25,987 thousand euros with an estimated useful life of 15 years, classified in the category "Software, licences, trademarks and other".

In addition to the above, development costs mainly refer to unpatented technology with a useful life of between 3 and 15 years.

As also mentioned in the Report on Operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 80,111 thousand euros (70,165 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortization. The increase is primarily due to the expenses incurred for the extension and maintenance of patents in other countries.

In addition to the above paragraph, Software, licences, trademarks and other rights also include the Brand and Customer Relationships, respectively for 262,396 thousand euros and 621,980 thousand euros, recognized as intangible assets following the business combination which took place after the tender offer in 2021 and the acquisition of the Dairy & Food business which took place in 2022, as well as application, management, administrative and technical software.

The increases during the year mainly concerned the acquisition by IMA S.p.A. of software and licences relating to the sales and marketing, administrative, logistics and technical areas.

The above mentioned assets have been tested for impairment, but no adjustments emerged.

Goodwill comprises the following:

in thousands of euros	31.12.2023	31.12.2022
CGU Pharma	1,011,231	1,011,400
CGU Tea & Coffee	218,497	218,497
CGU Dairy & Flex	392,883	383,067
CGU Tissue	69,631	69,631
CGU T&T	162,683	162,683
CGU Automation	366,149	366,149
Total	**2,221,074**	**2,211,427**

For information on the goodwill recognized following the acquisitions of the Mespic and Phoenix businesses, included in the Dairy & Flex CGU for 9,816 thousand euros, please refer to the comments in Note 29 Business combinations.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment. The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the CGUs of the Group, as represented by the individual divisions and/or business units to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test.

The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow produced from managing the operations

WACC = Weighted Average Cost of Capital

N = Number of years in the discount period

TV = Terminal Value, i.e. the current value of the cash flows generated after the end of the discount period

FCFn = Free Cash Flow sustainable after the end of the discount period

g = Growth rate of the business beyond the assumed period of the plan

The discount rate used is the Weighted Average Cost of Capital (WACC) and was calculated specifically for each CGU.

The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate).

The cash flows of the individual CGUs are estimated based on the forecasts of the 2024 budget reviewed by the Board of Directors and on estimates for the following two-year period 2025-2026 (four-year period 2025-2028 only for the Automation CGU as the valuation in the E-traction market requires a longer period of time); a "normalised" flow is also estimated for the purpose of calculating the terminal value. These flows are then discounted at rates that reflect current market valuations of the cost of money, taking into account the specific risks of the individual CGUs.

The growth rate *g* used is 1.0% for all CGUs, except for the Automation CGU which is 1.4%.

With reference to the values of goodwill at 31 December 2023, the impairment test procedures carried out in accordance with IAS 36 and applied on the basis of the methodologies and assumptions described above, found the carrying amounts to be fully recoverable so there was no need for any impairment adjustments. This monitoring was carried out on the basis of the new aggregation of CGUs adopted starting from the 2021 Annual Report.

Considered the potential impacts of ongoing climate change, the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, sensitivity analyses were applied to the recoverable amount of the individual CGUs, assuming changes in the risk-free rate, the market risk premium and the growth rate *g*. These sensitivity analyses confirmed the full recoverability of goodwill. With regard to the ongoing climate change, the Group has taken into account the potential impacts that it could have on the recoverable value of the individual CGUs subject to impairment testing in developing its estimates, determining that these impacts are not material.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC%	CAGR 2024-2026 Sales%
CGU Pharma	1,011,231	8.22	4.0
CGU Tea & Coffee	218,497	8.27	8.0
CGU Dairy & Flex	392,883	7.89	5.0
CGU Tissue	69,631	8.23	5.0
CGU T&T	162,683	8.27	3.0
CGU Automation	366,149	7.22	7.7
	2,221,074		

Management has formalised separate impairment tests for each CGU, indicating:

- identification of the intangibles and their allocation to the CGU;
- the economic-financial forecasts of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the forecasts of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

Assets under development and advances mainly relate to development projects in progress and new technologies attributable to the Parent Company (49,273 thousand euros) and concern new products that were not previously available and are targeted at new market segments.

Assets under development have been tested for impairment, but no adjustments emerged.

4. Investments accounted for using the equity method

in thousands of euros	31.12.2023	31.12.2022
Associates:		
Alfa S.r.l.	3,522	4,768
Amherst Stainless Fabrication Llc	741	687
B.C. S.r.l.	4,129	3,989
Bacciottini F.lli S.r.l.	1,565	1,365
Bolognesi S.r.l.	1,878	1,710
Doo Officina-Game East Vrsac	565	559
I.E.M.A. S.r.l.	1,670	2,445
LA.CO S.r.l.	549	510
Logimatic S.r.l.	858	1,153
Meccanica Sarti S.r.l.	1,429	1,245
MORC2 S.r.l.	1,765	1,662
OLTRE S.r.l.	361	329
O.M.S. Officina Meccanica di Sonico S.r.l.	1,285	1,294
SIL.MAC. S.r.l.	1,820	1,711
S.I.A. S.r.l.	1,800	–
STA.MA. S.r.l.	371	346
Other associates	798	913
Total	**25,106**	**24,686**

Below is a breakdown:

At the reporting date, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company and their carrying value in its financial statements, recognizing this difference in the income statement.

The summary data was prepared using the financial statements at 31 December 2022 of the Italian associated companies prepared in accordance with the national accounting standards; on the basis of analyses, the adjustments to align these financial statements with international accounting standards would not have led to significant differences.

The Group does not have any associated companies that are individually significant. Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The profit (loss) from investments accounted for using the equity method in 2023 is positive overall for 687 thousand euros (negative for 804 thousand euros the previous year).

On 14 December 2023 the subsidiary Packaging Manufacturing Industry S.r.l. completed the purchase of 20% of S.I.A. S.r.l., a company based in Sommacampagna (VR) that operates in the construction and installation of electrical and electronic materials and systems in general, electromechanical equipment and devices used in production processes, for 1,800 thousand euros.

Brief information about transactions with associates is given below:

- Alfa S.r.l. is active in the planing and production of projects, machines, plants and software used in production by the chemical industry;
- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- A.P.M. Assembly Packaging Machinery S.r.l. operates in the assembly, production and sale of mechanical parts, machinery and systems in general;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsac operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems;
- OLTRE S.r.l. is active in the provision of consultancy services for the mechanical sector;
- O.M.S. Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines.

Other investments in associates consist of the following:

- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- Masterpiece S.r.l. operates in the field of mechanical engineering;
- CAIMA S.r.l., FID S.r.l. Impresa Sociale, IEMATECH S.r.l., Me.Mo. S.r.l. (in liquidation), OMEGA S.r.l., S.I.Me. S.r.l. and Vernice S.r.l..

During 2023 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 2,404 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., Logimatic S.r.l., Masterpiece S.r.l., e SIL.MAC. S.r.l. and the Parent Company IMA S.p.A. of 180 thousand euros from B.C. S.r.l.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2023:

in thousands of euros	31.12.2023	31.12.2022
Associates:		
Alfa S.r.l.	3,801	3,801
Bolognesi S.r.l.	429	429
I.E.M.A. S.r.l.	295	295
Meccanica Sarti S.r.l.	1,103	1,103
MORC2 S.r.l.	1,401	1,401
OLTRE S.r.l.	237	237
S.I.A. S.r.l.	1,189	–
Other associates	865	865
Total	**9,320**	**8,131**

As regards guarantees granted to associated companies, please read Note 30.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2023	31.12.2022
Non-current:		
· Financial assets measured at amortized cost	2,211	1,545
· Financial assets measured at FVOCI	8,739	5,378
· Financial assets measured at FVPL	261	320
	11,211	**7,243**
Current:		
· Financial assets measured at amortized cost	3,702	2,944
· Financial assets measured at FVOCI	3,927	4,707
· Financial assets measured at FVPL	–	–
	7,629	**7,651**
Total	**18,840**	**14,894**

The Group essentially holds financial assets at amortized cost mainly represented by financial receivables and financial assets valued at FVOCI, made up principally of investments in other companies.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature. In 2023 the Parent company recognised impairment for 638 thousand euro related to the investment in Inkbit Llc.

In addition, during the year, the subsidiary Packaging Manufacturing Industry S.r.l. subscribed, for 4,000 thousand euros, non-controlling interest in FP7 S.r.l. based in Milan, a corporate vehicle set up by F&P Equity Partners S.r.l. of Milan, as part of a project to buy a minority stake in a supplier company.

At 31 December 2023, the Group does not have any financial assets held for trading purposes.

Current and non-current financial assets valued at amortized cost at 31 December 2023 mainly refer to loans granted by the Parent Company and Packaging Manufacturing Industry to a number of associated companies for a total of 5,303 thousand euros (3,479 thousand euros at 31 December 2022).

Non-current financial assets measured at FVOCI include investments in other companies.

Current financial assets valued at FVOCI essentially include Capital expenditure of the subsidiary IMA-PG India Pvt. Ltd. for 3,873 thousand euros, classified in level 3 of the fair value hierarchy.

Movements in financial assets break down as follows:

in thousands of euros	2023	2022
Opening balance	14,894	57,063
Increases	7,729	3,730
Profit/(losses) recognized in OCI	(713)	(2,797)
Decreases	(2,903)	(42,899)
Exchange rate difference	(167)	(203)
Closing balance	**18,840**	**14,894**

6. Receivables from others

This item mainly includes security deposits of various kinds, a receivable relating to commissions due in coming years on loan agreements and a contract stipulated by the Parent with Unipol Assicurazioni S.p.A. to set up a provision for a director's severance indemnity.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2023	Liabilities 31.12.2023	Assets 31.12.2022	Liabilities 31.12.2022
Interest rate hedging instruments - cash flow hedges	2,766	–	4,125	–
Exchange rate hedging instruments - cash flow hedges	537	874	880	709
Total	**3,303**	**874**	**5,005**	**709**

INTEREST RATE DERIVATIVES

At 31 December 2023, the amount of 2,766 thousand euros in assets represents the fair value of the derivative contract to hedge the interest rate risk entered into by the Parent Company with a primary credit institution, with maturity in 2039, on a nominal value of 24.1 million euros and the fair value of other derivative contracts entered into by the Parent Company and Tissue Machinery Company S.p.A. on a total nominal value of 3.9 million euros.

EXCHANGE RATE DERIVATIVES

For the disclosure requirements of IFRS 7, it should be noted that as regards exchange rate derivatives, only forward contracts with 100% effectiveness are stipulated, as per the Group Policy. The other information requested is shown below.

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2023, the amounts of 537 thousand euros in assets and 874 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange risk hedging instruments amounts to 63.4 million US dollars, 43.2 million Chinese Yuan, and 11.3 million Swiss Francs (64.5 million US dollars, 18.0 million Chinese Yuan, 17.1 million Swiss Francs and 245.4 million Japanese Yen at 31 December 2022).

All foreign currency derivatives at 31 December 2023 mature within 12 months.

8. Deferred tax assets and liabilities

At 31 December 2023, the deferred tax assets of 75,314 thousands of Euros (71,514 thousands euros at 31 December 2022) mainly relate to deferred tax assets recognized in 2012 on the step-up of the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions and the elimination of unrealized intercompany profits; deferred tax liabilities amount to 359,134 thousand euros (365,116 thousand euros at 31 December 2022) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2023	31.12.2022
Opening balance at the beginning of the year	(293,602)	(298,773)
Credited/(Charged) to PL	22,015	20,029
Credited/(Charged) to equity	145	(5,223)
Change in scope of consolidation	(12,742)	(10,265)
Exchange rate difference and other changes	364	630
Net amount at the end of the year	**(283,820)**	**(293,602)**

The main components of deferred tax assets and liabilities are presented below, together with the changes during the

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.2022	28,265	7,193	(335,498)	574	2,573	(1,880)	(298,773)
Effect on PL	(1,392)	(1,979)	24,079	–	–	(679)	20,029
Effect on equity	–	–	–	(1,510)	(3,713)	–	(5,223)
Change in scope of consolidation	1,500	8,393	(24,816)	–	1,251	3,407	(10,265)
Exchange rate difference and other changes	80	(1)	(3,886)	2	(10)	4,445	630
Balances at 31.12.2022	**28,453**	**13,606**	**(340,121)**	**(934)**	**101**	**5,293**	**(293,602)**
Effect on PL	4,126	(3,997)	22,705	–	–	(819)	22,015
Effect on equity	–	–	–	203	(58)	–	145
Change in scope of consolidation	222	–	(13,017)	–	(5)	58	(12,742)
Exchange rate difference and other changes	(662)	(611)	(702)	1	(10)	2,348	364
Balances at 31.12.2023	**32,139**	**8,998**	**(331,135)**	**(730)**	**28**	**6,880**	**(283,820)**

year and with respect to the prior year:

"Other" mainly includes deferred tax assets relating to the "step-up" of assets in 2012 and the elimination of unrealized intra-group profits, as well as the deferred taxes associated with the non-interest bearing loan reserve generated in 2021 following the discounting of the loan to Sofima PIK S.p.A.

On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

It should also be noted that, at reporting date, the amount of unused tax losses for which deferred tax assets have not been recognized amount to 4,765 thousand euros (25,972 thousand euros at 31 December 2022).

9. Inventories

Below is a breakdown:

in thousands of euros	31.12.2023 Gross value	Impairment provision	Net value	31.12.2022 Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	156,279	(27,492)	128,787	148,940	(24,915)	124,025
Work in progress and semifinished goods	363,532	(53,913)	309,619	349,133	(47,444)	301,689
Finished products and goods for resale	18,642	(4,019)	14,623	20,760	(4,699)	16,061
Total	**538,453**	**(85,424)**	**453,029**	**518,833**	**(77,058)**	**441,775**

At 31 December 2023, the inventories attributable to the newly acquired Mespic and Phoenix businesses amounted to 5,645 thousand euros.

The increase in inventories since 31 December 2022 mainly reflects the size of the backlog at the end of the year.

Movements in these provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2022	**68,758**
Net provisions (uses)	(5,270)
Change in scope of consolidation	13,297
Exchange rate difference	273
Balances at 31.12.2022	**77,058**
Net provisions (uses)	8,544
Change in scope of consolidation	249
Exchange rate difference	(427)
Balances at 31.12.2023	**85,424**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of inventories attributable to business combinations, commented in Note 29.

10. Trade and other receivables and contract assets

TRADE AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2023	31.12.2022
Trade receivables	383,104	299,902
Advances to suppliers	39,310	32,651
Tax receivables	30,137	15,248
Deferred costs	13,451	11,912
Other receivables	7,483	7,204
Total	**473,485**	**366,917**

TRADE RECEIVABLES

Trade receivables include customer receivables of 344,533 thousand euros (275,912 thousand euros at 31 December 2022) and trade receivables from associates of 38,571 thousand euros (23,990 thousand euros at 31 December 2022). At 31 December 2023, the trade receivables attributable to the Mespic and Phoenix business combination amounted to 4,848 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,072 thousand euros (18,298 thousand euros at 31 December 2022).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2023	2022
Opening balance	**18,298**	**17,005**
Effect on PL	1,347	632
Uses	(1,667)	(1,839)
Change in scope of consolidation	144	2,436
Exchange rate difference and other	(50)	64
Closing balance	**18,072**	**18,298**

Customer receivables falling due beyond 12 months amounted to 4,212 thousand euros (1,008 thousand euros at 31 December 2022).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	> 12 months	Total
31.12.2023				
Gross trade receivables	282,793	59,236	20,576	362,605
Bad debt provision	(852)	(1,440)	(15,780)	(18,072)
Net trade receivables	**281,941**	**57,796**	**4,796**	**344,533**
31.12.2022				
Gross trade receivables	200,781	73,427	20,002	294,210
Bad debt provision	(916)	(3,076)	(14,306)	(18,298)
Net trade receivables	**199,865**	**70,351**	**5,696**	**275,912**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographical area reduce credit risk, so the bad debt provision is considered sufficient.

In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible writedown are the result of a process that involves subjective judgements by the Group.

The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2023 these relate to advances paid to suppliers for goods destined to production of 33,507 thousand euros (23,413 thousand euros at 31 December 2022) and services of 5,803 thousand euros (9,238 thousand euros at 31 December 2022).

This item also includes advances to associates of 3,804 thousand euros (3,117 thousand euros at 31 December 2022).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

CONTRACT ASSETS

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2023	31.12.2022
Contract assets related to contract works	1,017,754	863,452
Advances received	(516,385)	(478,332)
Total	**501,369**	**385,120**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2023 amounted to 1,298,395 thousand euros (1,066,238 thousand euros in 2022).

The net increase in trade and other receivables and contractual assets reported in the consolidated cash flow statement differs from the change in the corresponding item of the statement of financial position as a result of trade receivables attributable to business combinations, as commented in Note 29.

11. Income tax receivables and payables

At 31 December 2023 income tax receivables and payables amount to 5,894 thousand euros and 40,534 thousand euros (7,143 thousand euros and 10,349 thousand euros respectively at 31 December 2022).

The following companies form part of the domestic tax group for 2023 with SOFIMA as the consolidating company and SOFIMA, Sofima SKY S.r.l., Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l. and Tissue Machinery Company S.p.A.

There is also a tax consolidation agreement between the American parent company Packaging Systems Holdings Inc. and the subsidiaries Delta Systems & Automation Llc, IMA Automation USA Inc., IMA Life North America Inc. and IMA North America Inc.

At 31 December 2023, the amounts owed to SOFIMA come to 27,260 thousand euros (1,969 thousand euros at 31 December 2022).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2023	31.12.2022
Bank current accounts	194,174	195,517
Other cash equivalents	6,995	8,703
Cheques and cash	839	466
Total	**202,008**	**204,686**

Starting in 2021, a programme to concentrate the cash of certain Italian subsidiaries in a master account held by IMA S.p.A. was implemented using the zero balance method; it was subsequently extended to a number of foreign subsidiaries. The same cash management model was used between IMA Life North America Inc. and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

For a better understanding of the trend in net financial debt, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

<u>*SHARE CAPITAL*</u>

The share capital at 31 December2023, equal to22,471 thousands euros, represents the share capital of IMA S.p.A. (fully subscribed and paid up) consisting of 43,105,509 ordinary shares with no par value.

At 31 December 2023, IMA S.p.A. does not hold any treasury shares.

<u>*FAIR VALUE RESERVE*</u>

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2022	**(5,058)**
Financial assets at FVOCI	
Measurement at fair value	(2,797)
Cash flow hedges/Hedging instruments	
Measurement at fair value	5,664
Fair value - tax effect	(1,359)
Realization recognized in revenue from contracts with customer	1,668
Realization recognized in costs	(307)
Realization recognized in financial income and expense	(732)
Tax effect - realization recognized in PL	(151)
Balance at 31.12.2022	**(3,072)**
Financial assets at FVOCI	
Measurement at fair value	(713)
Fair value - tax effect	6
Cash flow hedges/Hedging instruments	
Measurement at fair value	(1,165)
Fair value - tax effect	282
Realization recognized in revenue from contracts with customer	70
Realization recognized in costs	(97)
Realization recognized in financial income and expense	381
Tax effect - realization recognized in PL	(85)
Balance at 31.12.2023	**(4,393)**

At 31 December 2023, the movement in cash flow hedges mainly relates to the effective component of interest rate swaps.

<u>*OTHER RESERVES AND RETAINED EARNINGS*</u>

The changes during the period principally reflect the allocation to reserves of the net profit for the prior period.

Other reserves and retained earnings include an amount of 1,422,691 thousand euros attributable to the mergers and the payment by Sofima PIK S.p.A. in 2021. For further information, please refer to the 2021 Annual Report.

Lastly, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2022	**(8,507)**
Change in scope of consolidation	(3,093)
Actuarial value	14,441
Tax effect	(3,705)
Exchange rate difference and other changes	(90)
Balance at 31.12.2022	**(954)**
Change in scope of consolidation	13
Actuarial value	(559)
Tax effect	(69)
Exchange rate difference and other changes	(69)
Balance at 31.12.2023	**(1,638)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentina is considered a country operating in a situation of hyperinflation, as commented in the section entitled "Translation of foreign currency balances". In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the statement of financial position of IMA MAI S.A.U. and Tecmar S.A. have been remeasured by applying the general consumer price index of historical data.

In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2022 is shown as a contra-entry to equity reserves for 5,991 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2023 was recognized under financial charges for 646 thousand euros.

DIVIDENDS

The Board of Directors of the Parent Company IMA S.p.A. proposed the payment of a total gross dividend of 143,000,000 euros for the shares outstanding as of the date of payment of the dividend itself. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2023.

14. Non-controlling interests

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling interests are

		31 December 2023		31 December 2022	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Digidoc S.r.l.	Italy	80%	20%	80%	20%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Dairy & Food Asia Pacific Sdn Bhd	Malaysia	80%	20%	80%	20%
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Petroncini Impianti S.p.A.	Italy	100%	–	80%	20%
Pharmasiena Service S.r.l.	Italy	97%	3%	97%	3%
Teknoweb Converting S.r.l.	Italy	80%	20%	80%	20%

indicated below:

For further information, see the list of equity investments provided in section H of the notes and the section entitled "Group Structure".

At 31 December 2023, non-controlling interests amount to 15,566 thousand euros (17,075 thousand at 31 December 2022) and relate mainly at Teknoweb Converting S.r.l.

The IMA Group does not have any subsidiaries with significant non-controlling interests at 31 December 2023.

15. Borrowings and lease liabilities

BORROWINGS

The item includes financial liabilities valued at amortized cost and, in particular, amounts due to banks of 167,906 thousand euros (107,098 thousand euros at 31 December 2022), bonds of 1,272,847 thousand euros (1,263,937 thousand euros at 31 December 2022) and amounts due to other lenders of 231,649 thousand euros (223,706 thousand euros at 31 December 2022).

At 31 December 2023, the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

PAYABLES TO BANKS

Payables to banks break down as follows:

in thousands of euros	31.12.2023	31.12.2022
Non-current:		
· Applied research and technological innovation loans	2,182	3,159
· Other loans	3,405	4,597
	5,587	**7,756**
Current:		
· Current accounts	448	595
· Advances on export transactions	156,879	95,530
· Applied research and technological innovation loans	969	963
· Other loans	4,023	2,254
	162,319	**99,342**
Total	**167,906**	**107,098**

The main change in this item refers to the Parent Company and relates to the increase in export advances.

Payables to banks are analysed by maturity as follows:

in thousands of euros	31.12.2023	31.12.2022
Due within 1 year	162,319	99,342
Due from 1 to 5 years	5,375	7,060
Due beyond 5 years	212	696
Total	**167,906**	**107,098**

Applied research and technological innovation loans and other loans are analysed below by currency:

in thousands of euros	31.12.2023	31.12.2022
Euro	7,869	10,460
US dollar	–	–
Other	2,710	513
Total	**10,579**	**10,973**

Mortgages have been granted on the properties in Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans for 936 thousand euros and 1,385 thousand euros respectively.

Interest rates on financial payables are less than 6% on average.

At 31 December 2023 the Group had around 407 million euros of unutilised borrowing facilities (around 465 million euros at 31 December 2022).

The following were signed as part of the acquisition by the Funds assisted by BC Partners LLP, which took place in 2020:

- a super senior revolving contract, under which the lending banks undertook to make loans available to IMA for a total of 150.0 million euros to finance the general cash needs of the Group;
- a super senior guarantee facility contract, under which the lending banks undertook to make available to IMA a credit line of 250.0 million euros for bank guarantees in favour of IMA and its subsidiaries.

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans, including the bond, as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables of around 131 million euros.

BONDS

On 29 December 2020, Sofima Holding S.p.A., a company absorbed through a reverse merger by IMA S.p.A., with effect for accounting purposes from 1 January 2021, issued a bond loan, consisting of bonds at a floating rate for 450 million euros maturing in 2028 and bonds at a fixed rate for 830 million euros maturing in 2028, for a total amount of principal of 1,280 million euros (the Bonds). These Bonds, offered exclusively to qualified investors, are governed by the law of the state of New York, listed on the Official List of the Luxembourg Stock Exchange and admitted to the Euro MTF Market. Interest on the variable-rate portion is based on the 3-month Euribor (subject to a floor of 0.0%) plus an annual margin of 4%, to be paid quarterly, while on the fixed-rate portion it is set at 3.75% per annum, to be paid every six months. The issue, which took place on 29 December 2020, was carried out at a price equal to 99.75% of the nominal value for the variable-rate portion and 100% of the nominal value for the fixed-rate portion. The Bonds are backed by guarantees, including the pledge on the shares representing 100% of the capital of IMA S.p.A.

At 31 December 2023 bonds have a balance of 1,272,847 thousand euros and a nominal redemption value of 1,280,000 thousand euros.

Bonds are made up of:

in thousands of euros	31.12.2023	31.12.2022
Non-current portion	1,257,573	1,250,926
Current portion	15,274	13,011
Total book value	**1,272,847**	**1,263,937**

PAYABLES TO OTHER LENDERS

The item includes non-interest bearing payables to the parent Sofima PIK for 230,576 thousand euros (223,120 thousand at 31 December 2022) and payables to others for 1,073 thousand euros (586 thousand at 31 December 2022).

The total amount of financial payables due to Sofima PIK S.p.A. includes the discounted residual debt of 201,926 thousand euros for the sale of 3,529,412 shares in IMA S.p.A. to Sofima Holding S.p.A. at the price of 68 euros per share, which took place in 2020, and the residual loan of 28,650 thousand euros to Sofima Holding S.p.A., the company absorbed through a reverse merger by IMA S.p.A., with effect for accounting purposes from 1 January 2021.

LEASE LIABILITIES

The item breaks down as follows:

in thousands of euros	31.12.2023	31.12.2022
Non-current lease liabilities	173,886	178,521
Current lease liabilities	31,423	28,140
Total	**205,309**	**206,661**

Lease liabilities are analysed by maturity as follows:

in thousands of euros	31.12.2023	31.12.2022
Due within 1 year	31,423	28,140
Due from 1 to 5 years	117,114	115,217
Due beyond 5 years	56,772	63,304
Total	**205,309**	**206,661**

Lease liabilities essentially include property leases.

CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The changes that affected the main liabilities deriving from financing activities are as follows:

in thousands of euros	Applied research loans	Other loans	Lease liabilities	Bonds	Total
Balances at 01.01.2022	**5,076**	**223,702**	**198,011**	**1,256,591**	**1,683,380**
Change in scope of consolidation	–	2,037	5,237	–	7,274
Granting	–	2,319	–	–	2,319
Repayment	(954)	(5,279)	(28,339)	–	(34,572)
Other changes	–	7,192	31,752	7,346	46,290
Balances at 31.12.2022	**4,122**	**229,971**	**206,661**	**1,263,937**	**1,704,691**
Change in scope of consolidation	–	229	4,462	–	4,691
Granting	–	3,025	–	–	3,025
Repayment	(969)	(2,564)	(30,880)	–	(34,413)
Other changes	(2)	7,343	25,066	8,910	41,317
Balances at 31.12.2023	**3,151**	**238,004**	**205,309**	**1,272,847**	**1,719,311**

The other changes in borrowings include the discounting of the financial debt to Sofima PIK S.p.A..

The other net changes in liabilities for leased assets mainly reflect the opening of new lease contracts, net of early contract terminations.

Increase or (decrease) in other financial payables in the cash flow statement mainly include the change in export advances.

NET FINANCIAL DEBT

Net financial debt, an alternative performance indicator, is broken down as follows:

in thousands of euros	31.12.2023	31.12.2022
A. Cash and cash equivalents	(202,008)	(204,686)
B. Current financial assets measured at amortized cost	(3,702)	(2,944)
C. Current financial assets measured at FVOCI	(3,927)	(4,707)
D. Total current financial assets and cash equivalents (A) + (B) + (C)	**(209,637)**	**(212,337)**
E. Current payables to banks	162,319	99,342
F. Current portion of bonds	15,274	13,011
G. Current lease liabilities	31,423	28,140
H. Current payables to other lenders	324	335
I. Current financial debt (E) + (F) + (G) + (H)	**209,340**	**140,828**
J Net current financial debt (D) + (I)	**(297)**	**(71,509)**
K. Non-current payables to banks	5,587	7,756
L. Non-current portion of bonds	1,257,573	1,250,926
M. Non-current lease liabilities	173,886	178,521
N. Non-current payables to other lenders	231,325	223,371
O. Non-current financial assets measured at amortized cost	(2,211)	(1,545)
P. Net non-current financial debt (K) + (L) + (M) + (N) + (O)	**1,666,160**	**1,659,029**
Q. Net financial debt (J) + (P)	**1,665,863**	**1,587,520**

Total non-current financial assets differs from that reported in the statement of financial position as it does not include equity interests in other companies for 9,000 thousand euros. For further information on the breakdown of the items in net financial debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 106,804 thousand euros (96,026 thousand euros at 31 December 2022), essentially relating to the options agreed for the purchase of the non-controlling interests in subsidiaries. For further information please read the section entitled Fair Value in Financial Risk Management.

Net financial debt at the end of the period amounts to 1,665,863 thousand euros compared with 1,587,520 thousand euros at 31 December 2022. An increase was recorded during the year mainly due to payment for the acquisition of minority shares in Tissue Machinery Company S.p.A., Petroncini Impianti S.p.A. and Record S.p.A. for a total of 16,509 thousand euros, the effect of the acquisition of the Mespic and Phoenix businesses for 19,570 thousand euros, as well as the growth in net working capital, offset by cash generation, also thanks to the improvement in the results.

16. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the severance indemnity provisions of the Group's Italian companies and the liabilities for defined benefits of the companies in the Dairy & Food business.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2022	**36,580**
Service cost	1,363
Financial charges	281
Net actuarial losses (gains) recognized during the year	(14,522)
Change in scope of consolidation	25,580
Benefit paid out during the year	(3,612)
Exchange rate difference and other changes	204
Balance at 31.12.2022	**45,874**
Service cost	(254)
Financial charges	1,644
Net actuarial losses (gains) recognized during the year	567
Change in scope of consolidation	713
Benefit paid out during the year	(3,637)
Exchange rate difference and other changes	(28)
Balance at 31.12.2023	**44,879**

The change in the scope of consolidation is attributable to the newly acquired companies of the Mespic and Phoenix businesses.

The employee defined benefit liabilities are analysed below by geographical area:

in thousands of euros	31.12.2023	31.12.2022
Italy	20,309	20,794
Germany	19,853	20,815
Switzerland	933	505
France	2,281	2,216
North America	965	983
Other countries	538	561
Total	**44,879**	**45,874**

The following economic-financial assumptions were adopted in relation to the Italian companies:

	31.12.2023	31.12.2022
Annual discount rate	3.17%	3.36%
Annual inflation rate	2.00%	5.9% in 2023, 2.3% in 2024 and 2.0% from 2025
Annual rate of increase of total compensation	3.00%	6.9% in 2023, 3.3% in 2024 and 3.0% from 2025
Annual rate of increase of severance indemnity	3.00%	5.9% in 2023, 3.2% in 2024 and 3.0% form 2025

The discount rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancy: as determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;

- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

At 31 December 2023, the newly acquired companies of the Dairy & Food business showed the following balances:

in thousands of euros	Country	31.12.2023	31.12.2022
Erca SA.S	France	1,749	1,715
GASTI Verpackungsmaschinen GmbH	Germany	449	466
Hassia Verpackungsmaschinen GmbH	Germany	3,720	3,751
IMA Dairy & Food Holding GmbH	Germany	11,237	11,652
Total		**17,155**	**17,584**

The following economic-financial assumptions were adopted in relation to the companies listed above:

	31.12.2023	31.12.2022
Annual discount rate	3.39%	3.30%
Annual rate of increase of total compensation	2.5-2.7%	2.5-2.7%
Annual rate of increase of pension fund	1.00%	1.00%

The discount rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index. The demographic assumptions applied to the Dairy & Food companies derive from country-specific demographic tables.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; sensitivity analyses have therefore been performed for the Italian companies with respect to their provisions for severance indemnities at 31 December 2023 of 20,185 thousand euros and for the companies of the Dairy & Food business with respect to their pension funds of 17,155 thousand euros.

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	19,396	21,029	20,394	19,979	20,169	20,215
	Annual discount rate		Pension funds increases		Life expectancy	
in thousands of euros	+0.25%	-0.25%	+0.25%	-0.25%	+ 1 year	- 1 year
Pension funds Dairy & Food companies	16,657	17,679	17,571	16,755	17,662	16,643

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

in thousands of euros	2023	2022
Within 1 year	1,665	2,030
From 1 to 5 years	6,050	5,719
From 5 to 10 years	9,919	10,611
Total expected payments italian companies	**17,634**	**18,360**
Within 1 year	1,093	780
From 1 to 5 years	4,043	3,654
From 5 to 10 years	4,879	5,719
Total expected payments Dairy & Food companies	**10,015**	**10,153**

17. Provisions for risks and charges

in thousands of euros	Balance at 31.12.2022	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2023
Non-current:						
Agency termination indemnities	3,892	68	(217)	–	–	3,743
Other provisions	1,338	149	(139)	–	(58)	1,290
	5,230	**217**	**(356)**	**–**	**(58)**	**5,033**
Current:						
Product guarantee provision	40,239	7,637	(4,852)	180	(379)	42,825
Other provisions	3,154	5,743	(2,192)	–	(5)	6,700
	43,393	**13,380**	**(7,044)**	**180**	**(384)**	**49,525**
Total	**48,623**	**13,597**	**(7,400)**	**180**	**(442)**	**54,558**

These provisions are analysed as follows:

The change in the scope of consolidation refers to the companies of the Mespic and Phoenix businesses.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2023, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

Other provisions are made up of provisions for risks and charges to cover the severance indemnity of the director of the Parent and any liabilities that might arise from contractual obligations, tax payables and legal disputes. Group companies used experienced consultants to quantify the provisions.

18. Trade and other payables and contract liabilities

TRADE AND OTHER PAYABLES

This item is analysed as follows:

in thousands of euros	31.12.2023	31.12.2022
Trade payables	608,455	535,487
Social security and defined-contribution plan payables	19,684	18,631
Tax payables	16,987	15,561
Due to employees	100,693	94,252
Payables in respect of acquisitions	106,804	96,026
Deposits	4,905	4,660
Other payables	6,748	6,444
Total	**864,276**	**771,061**

TRADE PAYABLES

These include trade payables to suppliers of 455,629 thousand euros (413,466 thousand euros at 31 December 2022), payables to agents of 23,605 thousand euros (18,204 thousand euros at 31 December 2022) and trade payables to associates of 129,221 thousand euros (103,817 thousand euros at 31 December 2022).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

TAX PAYABLES

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

DUE TO EMPLOYEES

The item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. It includes 1,061 thousand euros classified among the non-current liabilities (3,765 thousand euros at 31 December 2022).

PAYABLES IN RESPECT OF ACQUISITIONS

At 31 December 2023 the item includes payables for the purchase of equity investments relating to the acquisitions made during the year and in previous years. The total amount of payables for acquisitions of 106,804 thousand euros (96,026 thousand euros at 31 December 2022), includes 43,549 thousand euros classified under non-current liabilities (78,541 thousand euros at 31 December 2022), falling due between 1 and 5 years. The total amount as of 31 December 2023 attributable to the acquisitions of the Mespic and Phoenix businesses and commented in Note 29, comes to 31,057 thousand euros.

As regards the fair value hierarchy of payables represented by potential payments connected with the purchase of non-controlling interests in subsidiaries, please refer to the Fair value section of Financial risk management.

CONTRACT LIABILITIES

The item breaks down as follow:

in thousands of euros	31.12.2023	31.12.2022
Advances received from customer	177,692	234,913
Contract liabilities related to contract works	49,796	31,876
Total	**227,488**	**266,789**

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2023	31.12.2022
Advances received	184,032	129,505
Contract assets related to contract works	(134,236)	(97,629)
Total	**49,796**	**31,876**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

The net increase in trade and other payables and contractual liabilities reported in the consolidated cash flow statement differs from the change in the corresponding item of the statement of financial position mainly as a result of the amounts due for acquisitions paid during the year and the effect of business combinations, as commented on in Note 29.

19. Other revenue and capitalized costs

The item Other revenue breaks down as follows:

in thousands of euros	2023	2022	Change
Capital gains on disposal of non-current assets	1,364	493	871
Out-of-period income	9,067	5,243	3,824
Other revenue and income	12,194	9,678	2,516
Total	**22,625**	**15,414**	**7,211**

Capitalized costs of 50,295 thousand euros relate to increases in non-current assets for internal work and refer for 41,697 thousand euros to development costs and new technologies (32,495 thousand euros in 2022) and for 8,598 thousand euros to equipment and machinery (5,071 thousand euros in 2022).

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124, 4 AUGUST 2017

In compliance with the transparency and disclosure requirements contained in Law 124 of 4 August 2017, article 1 paragraphs 125-129 (replaced by article 35 of Decree Law 34 of 30 April 2019) which imposed on companies the obligation to indicate in the notes "the amounts and information on grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation, actually disbursed by public administrations", in 2023 the Group benefited from:

- Training plans financed by Fondirigenti and Fondimpresa for 174 thousand euros;
- Tax credits introduced by various regulatory provisions related to electricity and natural gas expenses. Tax credits amount to a total of 2,425 thousand euros;
- GSE grant (the so-called “incentive rate” for electricity) of 28 thousand euros;
- Interest grant from Simest (a company belonging to the Cassa Depositi e Prestiti group) for a customer Sofidel America and Sofidel UK for 24 thousand euros.

During 2023, the Group benefited from State aid and de minimis aid contained in the National Register of State Aid referred to in article 52 of Law 234 f 24 December 2012, for which reference is made to the following website

https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx.

The main types are the following:

- Law no. 232 of 11 December 2016 (Official Gazette General Series no. 297 of 21 December 2016 - Ordinary Supplement no. 57);
- Ministerial Decree 24 May 2017 - Agreements for innovation;
- Exemption from payment of social contributions for permanent new hires and the transformation of fixed-term contracts into permanent contracts pursuant to art. 1 of Law.178/2020 and to art. 1 of Law.197/2022.

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

This item breaks down as follows:

in thousands of euros	2023	2022	Change
Raw materials and semifinished goods	805,048	717,597	87,451
Consumables and ancillary materials	31,912	29,351	2,561
Marketable goods	61,669	50,001	11,668
Other purchases	11,968	7,316	4,652
Total	**910,597**	**804,265**	**106,332**

The cost of raw, ancillary and consumable materials and goods attributable to the companies acquired in 2023 amounted to 4,307 thousand euros.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2023	2022	Change
Outsourced work and fitting	134,898	105,338	29,560
Maintenance and repair	16,764	16,222	542
Energy, telephone, gas, water and postal charges	26,288	28,064	(1,776)
Commissions	23,602	19,017	4,585
Technical, legal, tax and administrative consulting services	111,271	90,520	20,751
Advertising and promotions	7,516	5,588	1,928
Exhibitions	11,379	6,986	4,393
Travel	37,774	31,653	6,121
Insurance	6,010	6,042	(32)
Transport	35,121	32,795	2,326
Bank charges	1,486	1,815	(329)
Rental fees	9,336	7,479	1,857
Short-term or low-value lease fees	5,915	5,152	763
Other services	30,836	25,155	5,681
Total	**458,196**	**381,826**	**76,370**

Rental fees mainly refer to intangible assets.

Costs for services, rentals and leases attributable to the companies acquired during 2023 come to a total 2,503 thousand euros.

The item includes non-recurring charges for 5,530 thousand euros (3,883 thousand euros in 2022) as commented on in Note 33.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2023	2022	Change
Wages and salaries	421,938	394,733	27,205
Social security contributions	102,085	96,117	5,968
Board of Directors' emoluments	5,679	5,924	(245)
Pensions - defined-benefit plans	(297)	1,587	(1,884)
Pensions - defined-contribution plans	19,247	18,035	1,212
Other personnel costs	28,282	25,601	2,681
Total	**576,934**	**541,997**	**34,937**

Personnel costs attributable to the companies of the Mespic and Phoenix businesses, not included in the scope of consolidation in 2022, amount to 2,232 thousand euros.

The change in personnel costs versus the previous year features an increase generated by new hires, normal salary reviews under Collective Agreements and the Company's Remuneration Policy, as well as more travel and overtime.

The IMA Group employed 7,055 people on average during 2023, as analysed below:

	2023	2022	Change
Managers	378	377	1
Office workers	4,553	4,375	178
Production workers	2,124	2,099	25
Total	**7,055**	**6,851**	**204**

At 31 December 2023, the Group had 7,180 employees (6,901 at 31 December 2022), of whom 77 work for the Mespic and Phoenix businesses.

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2023	2022	Change
Depreciation of property, plant and equipment	23,648	21,903	1,745
Depreciation of right of use assets	38,708	35,076	3,632
Amortization of intangible assets	111,854	106,102	5,752
Write-downs/impairment	2,046	265	1,781
Bad debt provision	1,347	632	715
Total	**177,603**	**163,978**	**13,625**

The depreciation and amortization attributable to the newly acquired Mespic and Phoenix businesses amount to 2,676 thousand euros.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2023	2022	Change
Capital losses on disposal of non-current assets	710	130	580
Property tax and other taxes	4,037	4,282	(245)
Out-of-period expenses	3,538	3,442	96
Membership fees	787	726	61
Penalties and charges on sales	134	232	(98)
Sundry promotional materials	384	267	117
Other operating expenses	4,161	3,537	624
Total	**13,751**	**12,616**	**1,135**

25. Financial income

This item breaks down as follows:

in thousands of euros	2023	2022	Change
Fair value remeasurement of the interest held in IMA Dairy & Food GmbH	–	17,337	(17,337)
Income from investments and financial assets	70	7,032	(6,962)
Interest income from banks	1,750	1,325	425
Interest income from associates	46	41	5
Interest income on amounts due from customers	341	167	174
Income from derivative financial instruments	3,066	3,867	(801)
Change in fair value for contingent considerations	9,715	10,786	(1,071)
Other interest and financial income	1,001	560	441
Exchange rate gains	17,232	29,953	(12,721)
Total	**33,221**	**71,068**	**(37,847)**

As regards the income that came from remeasurement at fair value of the interest in IMA Dairy & Food Holding GmbH, reference should be made to what is said in the 2022 Annual Report.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2023	2022	Change
Interest expense on bank payables	7,565	1,897	5,668
Interest expense on bonds	70,218	56,821	13,397
Interest expense on lease liabilities	7,178	5,935	1,243
Net financial expense on defined-benefit plans	1,769	615	1,154
Various interest expense	1,375	665	710
Discounting of loans from parent companies	7,456	7,180	276
Dividends paid to non-controlling interests	1,500	3,896	(2,396)
Bank guarantee expenses	3,054	2,014	1,040
Expense from derivative financial instruments	3,676	5,657	(1,981)
Net expense from hyperinflation	646	1,723	(1,077)
Change in fair value for contingent considerations	6,300	6,929	(629)
Other financial expense	4,237	4,659	(422)
Exchange rate losses	20,300	25,916	(5,616)
Total	**135,274**	**123,907**	**11,367**

Interest expense on bonds includes the charges payable by the Parent Company in relation to the bond loan commented on in Note 15. The increase in interest expense on amounts due to banks and on bonds mainly reflects the higher cost of money.

Discounting loans from parents includes the notional interest on the financial debt owed to Sofima PIK S.p.A.

At 31 December 2023, exchange gains and losses included an unrealized gain of 6,568 thousand euros and an unrealized loss of 8,311 thousand euros (6,240 thousand euros and 8,355 thousand euros, respectively, in the previous year).

27. Taxes

This item is analysed as follows:

in thousands of euros	2023	2022	Change
Taxes for the period:			
Current taxes	67,125	46,610	20,515
Net deferred tax assets and liabilities	(22,015)	(20,029)	(1,986)
	45,110	**26,581**	**18,529**
Prior year taxes	(620)	(4,316)	3,696
Total	**44,490**	**22,265**	**22,225**

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

in thousands of euros	2023	2022
Profit before taxes	**140,786**	**130,282**
Taxes determined on the theoretical tax rate	**32,174**	**30,077**
Effect of income not subject to tax	(3,130)	(9,318)
Effect of non-deductible costs	4,746	6,882
IRAP	8,024	5,835
Other changes	3,296	(6,895)
Prior year taxes	(620)	(4,316)
Total	**44,490**	**22,265**

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

The following companies form part of the domestic tax group for 2023 with SOFIMA as the consolidating company and SOFIMA, Sofima SKY S.r.l., Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l. and Tissue Machinery Company S.p.A.

There is also a tax consolidation agreement between the American parent company Packaging Systems Holdings Inc. and the subsidiaries Delta Systems & Automation Llc, IMA Automation USA Inc., IMA Life North America Inc. and IMA North America Inc.

During 2023 a verification of the objective and subjective assumptions began with IMA S.p.A., also verifying correct use of the tax credits financed with resources from the National Recovery and Resilience Plan (NRRP), which the company benefited from in tax years 2020 and 2021. This verification is being carried out by the Economic and Financial Police Unit of Bologna and the subsidized measures subject to control are the tax credits for investments in capital goods 4.0, for investments in research and development and technological innovation 4.0 and for training expenses of employees in the 4.0 technology sector. The verification was concluded during September 2023 and no irregularities were found.

On 14 December 2023, a tax audit by the Revenue Agency - Regional Directorate of Emilia Romagna began at IMA S.p.A. for the purposes of income taxes, IRAP, VAT and the obligations of withholding agents relating to fiscal year 2020. The verification is still in progress at the date of approval of this financial report by the Board of Directors.

Following the publication in the Official Journal of the EU on 22 December 2022 of Council Directive no. 2022/2523/EU, adopted in Italy by Legislative Decree no. 209 of 27 December 2023, the Group falls within the scope of application of the so-called Pillar Two legislation from 1 January 2024. The second pillar legislation is, in fact, applicable to multinational groups with overall revenue in excess of 750 million euros in two of the four previous financial years, and is intended to guarantee a minimum global tax level of at least 15% for multinational groups and large-scale national groups based in the EU. The Group has also applied the temporary mandatory exemption required by the amendment to IAS 12 for the recognition and disclosure of deferred tax assets and liabilities arising from Pillar Two regulations. The Group has carried out a preliminary analysis to evaluate the potential impact of the Global Minimum Top-Up Tax by verifying whether the jurisdictions where the companies that it controls directly or indirectly operate, satisfy the requirements for the application of Safe Harbours. Taking into account the information known and reasonably estimable at 31 December 2023, no significant impacts on the consolidated financial statements are expected. Through the preparation of adequate systems and procedures, the Group is currently getting itself organized to satisfy the legal requirements in each jurisdiction where it operates.

28. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2023	2022
Profit for the year (thousands of euros)	95,995	106,639
Average number of outstanding ordinary shares (thousands of shares)	43,106	43,106
Earning per share (in euros)	**2.23**	**2.47**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. Business combinations

On 13 July 2023 IMA S.p.A. completed the acquisition of 60% of Phoenix Italia S.r.l., a company based in Bareggio (Milan), which in turn controls 100% of Phoenix Tech S.r.l.

Phoenix develops, manufactures and sells labelling solutions for distributors, system integrators and machine manufacturers, covering various sectors, with a particular focus on logistics.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Fair value
Property, plant and equipment	33
Right of use assets	2,869
Intangible assets	20,460
Deferred tax assets	108
Inventories	2,109
Trade receivables and other assets	1,406
Cash and cash equivalents	967
Borrowings	(800)
Lease liabilities	(2,869)
Employee defined benefit liabilities	(312)
Deferred tax liabilities	(5,553)
Trade payables and other liabilities	(951)
Total	**17,467**
Cost of acquisition	25,033
Goodwill	**7,566**

The fair value of the assets and liabilities was determined recognizing in particular: (i) non-patented technologies classified as development costs for 7,763 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 813 thousand euros and 11,126 thousand euros respectively; (iii) deferred taxes for 5,497 thousand euros.

The cost of the acquisition includes an amount of 14,045 thousand euros for the purchase of 60% of Phoenix Italia S.r.l., of which 8,385 thousand euros paid at the time of the closing and 5,660 thousand euros to be paid on a deferred basis and according to the achievement of contractualized economic results over the next three years. The potential consideration of 10,988 thousand euros relates to the fair value of the options to buy the other 40% of the company, discounted using the yield on government bonds with the same duration.

At 31 December 2023 the newly acquired companies which were consolidated for 6 months, generated revenue of 3,396 thousand euros and an operating result of -316 thousand euros, net of ancillary charges, amortization of intangible assets recognised after acquisition, including personnel costs of 771 thousand euros.

On 18 July 2023, IMA S.p.A. finalized the closing for the purchase of 70% of Mespic S.r.l., a company based in Faenza (Ravenna), which in turn controls 100% of Mespic North America Corp.

Mespic develops, manufactures and sells bespoke machines, from conveyor belts to wrappers, case packers to palletizers, and complete turnkey end-of-line systems, designed to serve a wide variety of applications.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Fair value
Property, plant and equipment	399
Right of use assets	1,880
Intangible assets	26,752
Deferred tax assets	182
Inventories	6,527
Trade receivables and other assets	5,104
Cash and cash equivalents	6,779
Borrowings	(229)
Lease liabilities	(1,593)
Employee defined benefit liabilities	(401)
Deferred tax liabilities	(7,479)
Trade payables and other liabilities	(13,655)
Total	**24,266**
Cost of acquisition	26,516
Goodwill	**2,250**

The fair value of the assets and liabilities was determined recognizing in particular: (i) non-patented technologies classified as development costs for 9,528 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,363 thousand euros and 14,861 thousand euros respectively; (iii) deferred taxes for 7,464 thousand euros.

The cost of the acquisition includes an amount of 13,440 thousand euros for the purchase of 70% of Mespic S.r.l. paid at the time of the closing and price adjustment of -292 thousand euros, and the potential consideration of 13,368 thousand euros, of which 3,849 thousand euros as earn-out and 9,519 thousand euros as the fair value of the options to buy the other 30% of the company, discounted using the yield on government bonds with the same duration.

At 31 December 2023 the newly acquired companies, consolidated for 6 months, generated revenue of 13,552 thousand euros and an operating profit of 2,184 thousand euros, net of ancillary charges, amortization of intangible assets recognised after acquisition, including personnel costs of 1,461 thousand euros.

The amounts recognized at the acquisition date were determined as required by IFRS 3; any adjustments will be recorded within 12 months from the date of the acquisition.

597 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2023 the amount of the purchase price that had been paid, net of the cash acquired, came to 14,079 thousand euros.

30. Guarantees granted

At 31 December 2023, the Group provided sureties and other bank guarantees to customers for 30,916 thousand euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 5,169 thousand euros and guarantees in favour of others for 3,159 thousand euros.

The Parent Company has given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2023	31.12.2022
Subsidiaries:		
Alphamac S.r.l.	1,192	–
ATOP S.p.A.	27,887	22,789
Benhil GmbH	12,215	7,518
Ciemme S.r.l.	1,000	1,175
Erca S.A.S.	1,889	863
Eurosicma S.p.A.	1,000	3,479
FASP S.r.l.	809	–
Hassia Verpackungsmaschinen GmbH	2,229	1,224
Ilapak International SA	1,696	1,531
Ilapak Italia S.p.A.	626	1,264
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	5,250	5,250
IMA Automation Switzerland SA	43,970	22,647
IMA Dairy & Food Holding GmbH	9,338	10,209
IMA Life Japan KK	640	711
IMA Life North America Inc.	4,525	4,688
IMA Pacific Co. Ltd.	2,343	2,320
IMA-PG India Pvt. Ltd.	3,600	2,600
Perfect Pack S.r.l.	549	449
Petroncini Impianti S.p.A.	463	1,048
Spreafico Automation S.r.l.	543	20
Thomas Llc	–	1,203
Tissue Machinery Company S.p.A.	23,670	18,433
Other subsidiaries	904	2,252
Total	**148,638**	**113,973**

Furthermore, IMA Dairy & Food Holding GmbH has provided guarantees in favour of third parties in the interest of certain subsidiaries for 10,307 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 170,797 thousand euros (144,397 thousand euros at 31 December 2022), of which 83,664 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

No risks have been identified as regards the recoverability of these guarantees.

31. Commitments

At 31 December 2023 there are commitments for the purchase of property, plant of 8,212 thousand euros relating principally to the property complex being built and to the purchase of industrial buildings by IMA-PG India Pvt. Ltd. and IMA S.p.A. respectively, as well as plant and equipment.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 6,549 thousand euros. There are also commitments for a total of 10,574 thousand euros under two lease contracts for buildings located in Vignate (MI) and Calenzano (FI), attributable respectively to Eurosicma S.p.A. and IMA S.p.A.

32. Related-party transactions

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services.

IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions.

IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

The IMA Group carries on business with related parties and associates, mainly comprising persons who are responsible for administration and management within IMA S.p.A., or entities that are controlled by them.

Such transactions mainly include financial, commercial and real estate activities (leased premises) carried out in the ordinary course of business and participation in the consolidated tax mechanism.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2023	Receivables at 31.12.2022	Payables at 31.12.2023	Payables at 31.12.2022
Parent companies:				
Sofima PIK S.p.A.	–	–	230,576	223,120
SO.FI.M.A. S.p.A.	–	–	27,260	1,969
	–	**–**	**257,836**	**225,089**
Associates:				
Alfa S.r.l.	6,591	5,427	–	–
Amherst Stainless Fabrication Llc	1,409	1,704	1,055	805
A.P.M. Assembly Pack. Mach. S.r.l.	1,190	727	3,130	1,633
B.C. S.r.l.	4,129	3,989	1,849	1,472
Bacciottini F.lli S.r.l.	1,669	1,464	7,089	9,637
Bolognesi S.r.l.	1,955	1,733	9,797	7,651
Doo Officina-GAMEEast Vrsac	1,909	1,575	84	68
I.E.M.A. S.r.l.	22,765	13,944	36,079	26,497
LA.CO S.r.l.	939	890	3,964	3,832
Logimatic S.r.l.	16,746	13,721	39,348	29,789
Masterpiece S.r.l.	75	58	818	908
Meccanica Sarti S.r.l.	1,429	1,245	656	651
MORC2 S.r.l.	1,868	1,963	3,018	2,761
OLTRE S.r.l.	457	329	1,448	1,231
O.M.S Officina Meccanica di Sonico S.r.l.	1,332	1,304	723	406
Powertransmission.it S.r.l.	238	202	960	1,084
SI.LMAC. S.r.l.	5,317	4,083	14,006	12,698
SI.A. S.r.l.	1,800	–	1,085	–
SI.Me. S.r.l.	256	218	1,307	338
STA.MA. S.r.l.	563	587	2,284	2,021
Vernice S.r.l.	1,467	1,011	–	–
Other associates	368	458	522	485
	74,472	**56,632**	**129,222**	**103,967**
Other related parties:				
3-T S.r.l.	17	12	1,712	1,486
Applied S.r.l.	21,231	13,086	23,310	17,375
Comatic S.r.l.	1,241	1,186	2,962	2,678
Deltos S.r.l.	250	192	1,501	2,070
EPSOL S.r.l.	3,456	2,446	12,678	7,250
LPM.GROUP S.p.A.	1,212	1,062	7,661	7,119
RO.SI. S.r.l.	183	183	2,943	2,752
Talea S.r.l.	9,247	14,897	461	343
Timage S.r.l.	3	4	1,937	1,430
Other related parties	454	691	948	886
	37,294	**33,759**	**56,113**	**43,389**
Total	**111,766**	**90,391**	**443,171**	**372,445**

As regards the amount of the liability to Sofima PIK S.p.A., please refer to the comments in Note 15.

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2023	Revenues 2022	Costs 2023	Costs 2022
Parent companies:				
Sofima PIK Sp.A.	–	–	7,456	7,180
SO.FI.M.A. Sp.A.	1	3	–	79
	1	**3**	**7,456**	**7,259**
Associates:				
Alfa Sr.l.	1,168	1,016	939	1,093
Amherst Stainless Fabrication Llc	61	225	7,114	5,814
A.P.M. Assembly Pack. Mach. Sr.l.	267	254	4,564	3,671
B.C. Sr.l.	320	328	7,069	6,726
Bacciottini F.lli Sr.l.	600	590	9,989	14,132
Bolognesi Sr.l.	542	427	11,814	8,717
Doo Officina-Game East Vrsac	341	151	1,242	1,320
I.E.M.A. Sr.l.	19,833	11,399	41,942	29,432
IEMATECH Sr.l.	–	24	1,164	234
LA.CO Sr.l.	152	119	4,736	4,685
Logimatic Sr.l.	12,069	8,099	45,786	37,269
Masterpiece Sr.l.	41	29	1,002	1,059
Meccanica Sarti Sr.l.	184	–	909	904
Me.Mo. Sr.l. (in liquidation)	–	–	–	1,534
MORC 2 Sr.l.	343	517	5,586	3,443
OLTRE Sr.l.	43	18	1,570	1,432
OMEGA Sr.l.	9	8	704	616
O.M.S Officina Meccanica Sonico Sr.l.	49	12	2,095	1,610
Powertransmission.it Sr.l.	36	27	1,165	1,211
SI.L.MAC. Sr.l.	3,740	2,429	16,466	14,891
SI.A. Sr.l.	–	–	256	–
SI.Me. Sr.l.	–	–	1,388	1,437
STA.MA. Sr.l.	188	291	2,265	2,255
Vernice Sr.l.	24	2	579	31
Other associates	1	12	164	117
	40,011	**25,977**	**170,508**	**143,633**
Other related parties:				
3-T Sr.l.	17	13	2,059	1,704
Applied Sr.l.	743	988	11,484	7,893
Cataudella Stefano	–	4	485	485
Comatic Sr.l.	458	355	2,881	1,632
Costal Sr.l.	–	–	–	2,302
Deltos Sr.l.	507	347	1,849	2,299
Dragojesolo Società Agricola Sr.l.	–	–	1,330	–
EPSOL Sr.l.	3,541	1,812	12,138	7,887
IEMA US Inc.	–	–	818	263
LPM.GROUP Sp.A.	216	98	8,895	7,788
Morosina Sp.A.	–	–	122	1,252
Poggi & Associati	–	–	778	926
RO.SI. Sr.l.	57	1	3,549	3,232
Talea Sr.l.	11	–	1,010	1,475
Timage Sr.l.	–	–	4,468	3,600
Other related parties	27	18	1,156	887
	5,577	**3,636**	**53,022**	**43,625**
Total	**45,589**	**29,616**	**230,986**	**194,517**

Because of the adoption of IFRS 16, the costs for rentals with related parties have been eliminated. These balances and transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

The revenue from EPSOL S.r.l. relates principally to the sale of commercial parts used in production.

The costs from EPSOL S.r.l. refer to the design and production of systems for automatic machines, the costs from LPM.GROUP S.p.A. mainly refer to protections for machinery and parts to drawings, the costs from RO.SI. S.r.l. concern mechanical processing, especially of plastic materials, and the costs from Timage S.r.l. refer to the preparation of technical documentation.

Applied S.r.l. offers skills, services and products with high added value, to support digital innovation and Talea S.r.l. operates in the IT sector.

The table below provides a summary of the statement of financial position items, including the main percentage:

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration

in thousands of euros	Total at 31.12.2023	Of which related parties	% impact	Total at 31.12.2022	Of which related parties	% impact
Statement of financial position:						
Fixed assets and right of use assets	3,978,525	29,651	0.7%	3,974,343	25,842	0.7%
Investments and financial assets	36,317	28,040	77.2%	31,929	27,306	85.5%
Other non-current assets	83,002	–	–	80,289	–	–
NON-CURRENT ASSETS	4,097,844	57,691	1.4%	4,086,561	53,148	1.3%
Trade and other receivables	974,854	50,588	5.2%	752,037	35,266	4.7%
Financial assets	7,629	3,487	45.7%	7,651	1,977	25.8%
Cash and cash equivalents	202,008	–	–	204,686	–	–
Income tax receivables	5,894	–	–	7,143	–	–
Other current assets	453,566	–	–	442,655	–	–
CURRENT ASSETS	1,643,951	54,075	3.3%	1,414,172	37,243	2.6%
TOTAL ASSETS	**5,741,795**	**111,766**	**1.9%**	**5,500,733**	**90,391**	**1.6%**
SHAREHOLDERS EQUITY	2,272,341			2,190,810		
Borrowings and lease liabilities	1,668,371	230,576	13.8%	1,660,573	223,120	13.4%
Other non-current liabilities	453,656	–	–	498,526	–	–
NON-CURRENT LIABILITIES	2,122,027	230,576	10.9%	2,159,099	223,120	10.3%
Borrowings and lease liabilities	209,340	–	–	140,829	–	–
Trade and other payables	1,047,154	185,335	17.7%	955,544	147,356	15.4%
Income tax liabilities	40,534	27,260	67.3%	10,349	1,969	19.0%
Other current liabilities	50,399	–	–	44,102	–	–
CURRENT LIABILITIES	1,347,427	212,595	15.8%	1,150,824	149,325	13.0%
TOTAL EQUITY AND LIABILITIES	**5,741,795**	**443,171**	**7.7%**	**5,500,733**	**372,445**	**6.8%**

with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2023	Of which related parties	% impact	2022	Of which related parties	% impact
Income statement:						
Revenue from contracts with customers	2,305,807	42,628	1.8%	1,990,343	27,004	1.4%
Other income and capitalized costs	72,920	257	0.4%	52,980	199	0.4%
Cost of raw materials and goods	(910,597)	(152,822)	16.8%	(804,265)	(127,295)	15.8%
Cost of services and leases	(458,196)	(66,645)	14.5%	(381,826)	(54,860)	14.4%
Other operating costs	(767,782)	(2,146)	0.3%	(673,307)	(2,006)	0.3%
OPERATING PROFIT	**242,152**			**183,925**		
Net financial income	33,221	100	0.3%	71,068	41	0.1%
Net financial expense	(135,274)	(7,456)	5.5%	(123,907)	(7,180)	5.8%
FINANCIAL INCOME AND EXPENSE	**(102,053)**			**(52,839)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**687**	**687**	100.0%	**(804)**	**(804)**	100.0%
Taxes	(44,490)	–	–	(22,265)	–	–
PROFIT FOR THE YEAR	**96,296**			**108,017**		

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration due for any reason and in any form to directors and statutory auditors of the Parent for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2023	2022
Directors	1,846	1,830
Statutory Auditors	155	156
Total	**2,001**	**1,986**

The following table reports the fees due, including social contributions, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2023	2022
Short-term benefits	3,184	3,289
Long-term benefits	–	–
Post-employment benefits	196	263
Fees for positions	2,078	2,069
Total	**5,458**	**5,621**

Fees paid to the independent auditors

The following table shows the fees in 2023 for auditing services and services other than auditing, the latter mainly relating to auditing of the Sustainability Report, prepared on a voluntary basis, R&D receivables and analysis concerning to environmental sustainability:

in thousands of euros	Service rendered by	To	Fees
Audit	EY Sp.A.	Parent company IMA Sp.A.	327
	EY Sp.A.	Subsidiary companies	562
	EY network	Subsidiary companies	271
Other services rendered in connection with the review	EY Sp.A.	Parent company IMA Sp.A.	126
	EY Sp.A.	Subsidiary companies	14
Other services	EY Sp.A.	Parent company IMA Sp.A.	215
	EY network	Subsidiary companies	69
Total			**1,584**

33. Significant non-recurring transactions and events

During 2023, non-recurring charges amount to 10,548 thousand euro and refer for 4,475 thousand euro to a dispute with a Chinese customer in the Consumer segment. The costs charged to the income statement for 2023 refer to prudential provisions made for a negotiation that is still in progress; at the end of this negotiation, the final liability could be significantly lower, depending on the recovery of a machine which will then be sold on other markets, mitigating the negative effect of the dispute. In addition, consultancy costs and ancillary charges for the acquisition of the Mespic and Phoenix businesses are included.

The total amount is classified under Costs of raw materials for 397 thousand euros, Services for 5,530 thousand euros Personnel costs for 146 thousand euros and Provision for risks and charges for 4,475 thousand euros.

34. Significant events subsequent to year end

The main events subsequent to the year end are the following:

- merger by absorption by Phoenix Tech S.r.l. by the Parent Company Phoenix Italia S.r.l., with effect from 1 January 2024;
- on 25 January 2024, following the exercise of the put option by the minority shareholder, IMA S.p.A. completed the purchase of the remaining 25.1% of the investment in IMA Dairy & Food Holding GmbH for an amount of 29,000 thousand euro, thereby reaching 100% of the company's share capital.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- Alphamac S.r.l.	Bologna	Bologna - Italy	90,000	EUR	–	100%
- ATOP S.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	100%	–
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100%(1)	–
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	–
- Eurosicma - Costruzioni Macchine Automatiche S.p.A.	Milan	Milan - Italy	700,000	EUR	100%	–
- FASP S.r.l.	Montecchio Maggiore	Vicenza - Italy	100,000	EUR	100%(2)	–
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	–	100%
- Mespic S.r.l.	Faenza	Ravenna - Italy	242,000	EUR	100%(3)	–
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100%(4)	–
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	100%	–
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	97%	–
- Phoenix Italia S.r.l.	Bareggio	Milan - Italy	100,000	EUR	100%(5)	–
- Phoenix Tech S.r.l.	Bareggio	Milan - Italy	50,000	EUR	–	100%
- Record S.p.A.	Garbagnate Monastero	Lecco - Italy	335,400	EUR	100%	–
- Spares Service & Machinery S.r.l.	Calderara di Reno	Bologna - Italy	100,000	EUR	–	100%
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100%(6)	–
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	80%(7)	–
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%	–
- ATOP (Shanghai) Electrical Equipment Co.Ltd.	Shanghai	PRC	2,200,000	EUR	–	100%
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	–
- Delta Systems & Automation Llc	Lowell	USA	1,000	USD	–	100%
- Erca S.A.S.	Les Ulis	France	2,594,390	EUR	–	100%
- GASTI Verpackungsmaschinen GmbH	Schwäbisch Hall	Germany	25,000	EUR	–	100%
- Hassia Verpackungsmaschinen GmbH	Ranstadt	Germany	2,100,000	EUR	–	100%
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	100%	–
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	100%	–
- IMA Automation Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	100%	–
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	–	100%
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	–
- IMA Life (Shanghai) Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	–	86.29%
- IMA Life North America Inc.	Tonawanda	USA	100	USD	–	100%
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	–
- IMA MAI S.A.U.	Mar del Plata	Argentina	6,995,285	ARS	100%	–
- IMA North America Inc.	Leominster	USA	8,052,500	USD	–	100%
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	–
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	–
- INTECMA S.A.	Sant Just Desvern	Spain	81,279	EUR	–	100%(8)
- Mespic North America Corp.	Geneva	USA	1	USD	–	100%
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	–
- Tecmar S.A.	Mar del Plata	Argentina	692,500	ARS	100%(9)	–
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	–	100%

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000.

Companies consolidated line-by-line (continued	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Ilapak France SA	Lognes Paris	France	105,130	EUR	–	100%
- Ilapak Inc.	Newtown	USA	12,500	USD	–	100%
- Ilapak Israel Ltd.	Caesarea	Israel	7,570,338	ILS	–	100%
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	–	100%
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	–	100%
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	–	100%
- Ilapak Verpackungsmaschinen GmbH	Haan Düsseldorf	Germany	102,500	EUR	–	100%
- IMA Dairy & Food Asia Pacific Sdn Bhd	Kuala Lumpur	Malaysia	10	MYR	–	80%
- IMA Dairy and Food Russia OOO	St. Petersburg	Russia	10,000	RUB	–	100%
- IMA Dairy & Food Spain and Portugal SA.	Viladecans	Spain	60,101	EUR	–	100%
- IMA Dairy & Food UK Ltd.	Retford	UK	1	GBP	–	100%
- IMA Dairy & Food USA Inc.	Leominster	USA	1	USD	–	100%
- IMA D-A-CH GmbH	Cologne	Germany	90,000	EUR	100%	–
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	–
- IMA France Eu.r.l.	Rueil Malmaison	France	45,735	EUR	100%	–
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	–
- IMA Iberica Processing and Packaging SL.	Barcelona	Spain	590,000	EUR	100%	–
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	–	100%
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	–
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	–
- IMA Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	–
- IMA UK Ltd.	Alcester	UK	1	GBP	–	100%
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	–
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	100%	–
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	–	100%
- TMC North America Inc.	Appleton	USA	100,000	USD	–	100%
Financial companies:						
- IMA Dairy & Food Holding GmbH	Ranstadt	Germany	25,000	EUR	100%(10)	–
- Packaging Systems Holdings Inc.	Wilmington	USA	1,001	USD	100%	–
Other companies:						
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	–	80%
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	–
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	–

Note:

(1) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital
(2) The percentage interest held in FASP S.r.l. includes an option to purchase 20% of the quota capital
(3) The percentage interest held in Mespic S.r.l. includes an option to purchase 30% of the quota capital
(4) The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital
(5) The percentage interest held in Phoenix Italia S.r.l. includes an option to purchase 40% of the quota capital
(6) The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital
(7) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 10% of the quota capital
(8) The percentage interest held in INTECMA S.A. includes an option to purchase 49% of the quota capital
(9) The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital
(10) The percentage interest held in IMA Dairy & Food Holding GmbH includes an option to purchase 25.1% of the quota capital

FOR FURTHER INFORMATION, PLEASE REFER TO THE GROUP STRUCTURE AT 31 DECEMBER 2023 SECTION

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- Alfa Sr.l.	Bologna	Bologna - Italy	1,000,000	EUR	40%(1)
- Amherst Stainless Fabrication Llc	Amherst NY	USA	1,100,000	USD	20%(2)
- A.P.M. Assembly Pack. Mach. Sr.l.	Castel Bolognese	Ravenna - Italy	100,000	EUR	32%(1)
- B.C. Sr.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli Sr.l.	Montemurlo	Prato - Italy	500,000	EUR	30%(1)
- Bolognesi Sr.l.	Dozza	Bologna - Italy	10,920	EUR	30%(1)
- CAIMA Sr.l.	Monghidoro	Bologna - Italy	10,000	EUR	20%(1)
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(1)
- FID Sr.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.EM.A. Sr.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30%(1)
- IEMATECH Sr.l.	Brivio	Lecco - Italy	10,000	EUR	30%(1)
- LA.CO Sr.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	35%(1)
- Logimatic Sr.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17%(1)
- Masterpiece Sr.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30%(1)
- Meccanica Sarti Sr.l.	Bologna	Bologna - Italy	102,000	EUR	30%(1)
- Me.Mo. Sr.l. (in liquidation)	Gaggio Montano	Bologna - Italy	10,000	EUR	20%(1)
- MORC2 Sr.l.	Faenza	Ravenna - Italy	20,800	EUR	20%(1)
- OLTRE Sr.l.	Ozzano dell'Emilia	Bologna - Italy	50,000	EUR	30%(1)
- OMEGA Sr.l.	Castel Guelfo	Bologna - Italy	10,000	EUR	20%(1)
- O.M.S. Officina Meccanica Sonico Sr.l.	Sonico	Brescia - Italy	31,200	EUR	40%(1)
- Powertransmission.it Sr.l.	Castenaso	Bologna - Italy	50,000	EUR	20%(1)
- SIL.MAC. Sr.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30%(1)
- SI.A. Sr.l.	Sommacampagna	Verona - Italy	1,000,000	EUR	20%(1)
- SI.Me. Sr.l.	Granarolo dell'Emilia	Bologna - Italy	125,000	EUR	39.2%(1)
- STA.MA. Sr.l.	Castel San Pietro Terme	Bologna - Italy	10,400	EUR	30%(1)
- Vernice Sr.l.	Zola Predosa	Bologna - Italy	20,000	EUR	45%(1)

Note:

(1) Held by Packaging Manufacturing Industry S.r.l.

(2) Held by IMA Life North America Inc.

Independent Auditor's Report

EY

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Sole Shareholder of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group" or "Group"), which comprise the statement of financial position as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of the I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Building a better
working world

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations of I.M.A. Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of I.M.A. Group as at December 31, 2023 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of I.M.A. Group as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 28, 2024

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2022

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

Consolidated Statement of Financial Position

ASSETS	Note	31 December 2022	31 December 2021
NON-CURRENT ASSETS			
Property, plant and equipment	2	165,843	141,536
Right of use assets	2	265,150	255,600
Intangible assets	3	3,543,350	3,461,527
Investments accounted for using the equity method	4	24,686	30,592
Financial assets	5	7,243	41,133
Receivables from others	6	4,650	5,693
Derivative financial instruments	7	4,125	–
Deferred tax assets	8	71,514	62,662
TOTAL NON-CURRENT ASSETS		4,086,561	3,998,743
CURRENT ASSETS			
Inventories	9	441,775	368,865
Trade and other receivables	10	366,917	257,307
Contract assets	10	385,120	246,789
Income tax receivables	11	7,143	21,370
Financial assets	5	7,651	15,930
Derivative financial instruments	7	880	239
Cash and cash equivalents	12	204,686	231,727
TOTAL CURRENT ASSETS		1,414,172	1,142,227
TOTAL ASSETS		**5,500,733**	**5,140,970**

EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
EQUITY			
Share capital		22,471	22,471
Reserves and retained earnings		2,044,625	1,972,520
Profit for the year		106,639	55,860
Equity attributable to equity holders of the parent	13	2,173,735	2,050,851
Non-controlling interests	14	17,075	17,938
TOTAL EQUITY		2,190,810	2,068,789
NON-CURRENT LIABILITIES			
Borrowings	15	1,482,052	1,469,132
Lease liabilities	15	178,521	172,482
Employee defined benefit liabilities	16	45,874	36,580
Provisions for risks and charges	17	5,230	4,189
Other payables	18	82,306	67,042
Derivative financial instruments	7	–	1,727
Deferred tax liabilities	8	365,116	361,435
TOTAL NON-CURRENT LIABILITIES		2,159,099	2,112,587
CURRENT LIABILITIES			
Borrowings	15	112,689	62,733
Lease liabilities	15	28,140	25,529
Trade and other payables	18	688,755	613,120
Contract liabilities	18	266,789	206,688
Income tax liabilities	11	10,349	9,856
Provisions for risks and charges	17	43,393	40,642
Derivative financial instruments	7	709	1,026
TOTAL CURRENT LIABILITIES		1,150,824	959,594
TOTAL LIABILITIES		3,309,923	3,072,181
TOTAL EQUITY AND LIABILITIES		**5,500,733**	**5,140,970**

Consolidated Income Statement

	Note	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1.990.343	1.688.317
OTHER REVENUE	19	15.414	12.810
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		15.642	(8.762)
Change in inventory of raw, ancillary and consumable materials		26.514	11.124
Cost of raw, ancillary and consumable materials and goods for resale	20	(804.265)	(632.069)
Services, rentals and leases	21	(381.826)	(328.965)
Personnel costs	22	(541.997)	(463.787)
Capitalized costs	19	37.566	39.027
Depreciation, amortization and write-downs	23	(163.978)	(145.278)
Provisions for risks and charges		3.128	(5.813)
Other operating costs	24	(12.616)	(12.690)
TOTAL OPERATING COSTS		(1.821.832)	(1.547.213)
- of which: effect of non-recurring items	33	*(4.573)*	*(15.254)*
OPERATING PROFIT	1	183.925	153.914
- of which: effect of non-recurring items	33	*(4.573)*	*(15.254)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	71.068	35.347
Financial expense	26	(123.907)	(124.166)
TOTAL FINANCIAL INCOME AND EXPENSE		(52.839)	(88.819)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		(804)	382
PROFIT BEFORE TAXES		130.282	65.477
TAXES	27	(22.265)	(9.383)
PROFIT FOR THE YEAR		**108.017**	**56.094**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		106.639	55.860
NON-CONTROLLING INTERESTS		1.378	234
		108.017	**56.094**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**28**	**2,47**	**1,30**

Consolidated Statement of Comprehensive Income

	Note	2022	2021
Net profit for the year		108,017	56,094
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		(2,830)	5,828
Gains (losses) on financial assets measured at FVOCI	13	(2,797)	(2,988)
Gains (losses) on cash flow hedges	13	6,293	4,326
Tax effect		(1,510)	(321)
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(844)**	**6,845**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	14,422	4,797
Gains (losses) from investments accounted for using the equity method		280	2,406
Tax effect		(3,713)	(748)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**10,989**	**6,455**
Gains and losses recognized in equity		**10,145**	**13,300**
Total comprehensive income		**118,162**	**69,394**
Attributable to:			
Equity holders of the parent		116,739	69,046
Non-controlling interests		1,423	348
		118,162	**69,394**

Statement of Changes in Consolidated Equity

	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2021	**22,471**	**122,818**	**(5,589)**	**(9,009)**	**(6,075)**	**356,312**	**91,716**	**572,644**	**8,458**	**581,102**
Effect of mergers	–	–	–	–	–	812,306	–	812,306	–	812,306
Payment from shareholders	–	–	–	–	–	610,385	–	610,385	–	610,385
Monetary revaluation by hiperinflation	–	–	–	–	–	2,620	–	2,620	–	2,620
Distribution of dividends	–	–	–	–	–	–	–	–	(44)	(44)
Allocation of earnings for 2020	–	–	–	–	–	91,716	(91,716)	–	–	–
Cancellation of treasury shares	–	(5,589)	5,589	–	–	–	–	–	–	–
Non-interest bearing loan reserve	–	–	–	–	–	42,699	–	42,699	–	42,699
Change of non-controlling interests	–	–	–	–	–	(58,849)	–	(58,849)	9,176	(49,673)
Total comprehensive income	–	–	–	5,735	1,017	6,434	55,860	69,046	348	69,394
Balance at 31.12.2021	**22,471**	**117,229**	**–**	**(3,274)**	**(5,058)**	**1,863,623**	**55,860**	**2,050,851**	**17,938**	**2,068,789**
Monetary revaluation by hiperinflation	–	–	–	–	–	6,145	–	6,145	–	6,145
Distribution of dividends	–	–	–	–	–	–	–	–	(1,800)	(1,800)
Allocation of earnings for 2021	–	–	–	–	–	55,860	(55,860)	–	–	–
Change of non-controlling interests	–	–	–	–	–	–	–	–	(486)	(486)
Total comprehensive income	–	–	–	(2,813)	1,986	10,927	106,639	116,739	1,423	118,162
Balance at 31.12.2022	**22,471**	**117,229**	**–**	**(6,087)**	**(3,072)**	**1,936,555**	**106,639**	**2,173,735**	**17,075**	**2,190,810**

Consolidated Statement of Cash Flow

	Note	31 December 2022	1 December 2021
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		106.639	55.860
Adjustments for:			
- Depreciation and amortization	23	163.081	143.688
- Writedowns/impairment		265	–
- Fair value remeasurement of the interest held in investment accounted for using the equity method	25	(17.337)	–
- Capital (gains) losses on disposal of non-current assets	19-24	(363)	(371)
- Changes in provisions for risks and charges and employee defined benefit liabilities		(6.189)	3.128
- Net interest expense	25-26	70.941	68.029
- Unrealized losses (gains) on exchange rate differences	26	2.115	(751)
- Other changes		(3.581)	(1.859)
- Taxes	27	22.265	9.383
- Non-controlling interests		1.378	234
- Result from investments accounted for using the equity method		804	(382)
Operating profit before changes in working capital		340.018	276.959
(Increase) decrease in trade and other receivables, including contracts asse	10	(223.587)	(38.863)
(Increase) decrease in inventories	9	(44.638)	(8.290)
Increase (decrease) in trade and other payables, including contracts liabilitie	18	126.275	92.435
Taxes paid		(25.344)	(34.647)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		172.724	287.594
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(38.931)	(54.545)
Investments in intangible assets	3	(47.018)	(41.440)
Effect of acquisition of business divisions/companies	29	(17.853)	(6.497)
Purchase of investments	4	(154)	(561)
Payment of amounts due for acquisitions		(55.801)	(8.564)
Sale of subsidiaries and associates		1.455	320
Sale of non-current assets		1.004	1.066
Other changes		893	4.417
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(156.405)	(105.804)
FINANCING ACTIVITIES			
Granting of loans	15	2.319	7.930
Repayment of borrowings	15	(6.233)	(378.450)
Repayment of bonds	15	–	(145.687)
Repayment of lease liabilities	15	(28.339)	(24.071)
Increase (decrease) in other financial payables	15	48.081	(24.843)
Change in non-controlling interests		–	(38.068)
Net change in financial assets and other non-current receivables		(1.619)	14.513
Payment from shareholders		–	610.385
Payment of debt for the purchase of IMA shares		–	(799.310)
Dividends paid to non-controlling interests		(1.800)	(44)
Payment of interest		(56.213)	(59.411)
Receipt of interest		444	294
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(43.360)	(836.762)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D =A+B+C)		**(27.041)**	**(654.972)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	12	**231.727**	**130.880**
CASH AND CASH EQUIVALENTS FROM MERGERS (F)		**–**	**755.819**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G =D+E+I	12	**204.686**	**231.727**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

These financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 15 March 2023 and have been audited by EY S.p.A.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as "IMA", "IMA S.p.A." or the "Parent"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna).

IMA S.p.A.is subject to management and coordination, pursuant to articles 2497 and following of the civil code, of SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., with registered office in Bologna, Via Farini 11, tax code, registration to the Register of Companies of Bologna and VAT number 02444341206 ("SOFIMA").

The share capital of IMA is all held by Sofima PIK S.p.A., with registered office in Via Farini 11, Bologna (BO), tax code, registration in the Bologna Companies Register and VAT number 03888711201.

The share capital of Sofima PIK S.p.A. is all held by SOFIMA.

At 31 December 2022 SOFIMA prepares the consolidated financial statements which include the largest group of companies belonging to the Group. These consolidated financial statements will be available at the Bologna Companies Register.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group has been applying International Accounting Standards since 2005, whereas the Parent Company IMA S.p.A., using the options provided for by Legislative Decree 38 of 28 February 2005, adopted International Accounting Standards in its own financial statements from 1 January 2006.

It should be noted that, in the absence of uncertainties or doubts about its ability to continue in business in the foreseeable future, the consolidated financial statements of the IMA Group have been prepared on a going-concern basis.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items.

With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group's normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

Costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature and a consolidated statement of other comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

Changes in equity are indicated in the relative statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements and the revenue or cost elements deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2022 are expressed in thousands of euros, except where otherwise indicated.

C) Accounting policies and accounting standards applied

The more significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

• Buildings and light constructions	10-40	years
• Plant and machinery	5-10	years
• Industrial and commercial equipment	4	years
• Other assets	4-9	years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

When accounting for the sale of property, plant and equipment, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

LEASES

The contract is, or contains, a lease if, in exchange for a fee, it grants the right to control the use of a specified asset for a certain period of time. When the Group acts as a lessee, at the effective date it recognises an asset consisting of the right of use and a lease liability.

Right-of-Use Assets

Right-of-use assets are recognised at cost and include the amount of the initial measurement of the lease liability, the payments due for the lease made on or before the effective date, net of lease incentives received, the initial direct costs incurred and, if applicable, dismantling costs. Right-of-use assets are depreciated on a straight-line basis for the lower of the lease term and the estimated useful life.

If, at the end of the lease term, the property is transferred to the lessee or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing as explained in the section entitled "Impairment of assets".

Lease liabilities

Lease liabilities are recognised at the present value of payments due over the life of the lease not paid at the start date, and include fixed payments net of any lease incentives to be received, variable payments due for the lease which depend on a index or rate, the amounts that the lessee is expected to pay as guarantees of the residual value, the exercise price of the purchase option, if it is reasonably certain that the lessee will exercise the option, and any penalty payments for termination of the lease if the duration of the lease takes into account the lessee exercising the option to terminate the lease.

The lease payments are estimated using the implicit interest rate of the lease, if this can be easily determined. If this is not possible, the incremental borrowing rate is used, i.e. the interest rate that would have to be paid for a loan, with a similar duration and guarantees, needed to obtain an asset of similar value to the right-of-use asset in a similar economic context. The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong.

The value of lease liabilities is increased to take interest into account and is decreased to take payments made into account. In addition, the carrying amount of the lease liabilities is re-measured if there is a change in the lease duration, a change in the valuation of a purchase option for the underlying asset, a change in future payments due for the lease deriving from a change in the index or rate used to determine payments.

The Group has included any extension periods covered by the renewal option in the duration of the contract, when it is assumed with reasonable certainty that it will be exercised, also in consideration of the experience acquired. A condition for renewal of the term is also that the Group can exercise the option without the consent of the counterparty or that the lessor is exposed to a significant penalty in case of termination of the contract.

The contracts that may envisage a renewal option refer mainly to property leases.

The Group did not apply this accounting method to the leases involving intangible assets, to short-term leases of property, plant and equipment and leases involving low-value assets. Low-value contracts refer mainly to electronic devices.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost. Development costs and goodwill have been booked to assets with the consent of the Board of Statutory Auditors.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-15	years
• Software, licences, trademarks and similar rights	5-20	years
• Development costs	3-15	years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

When accounting for the sale of intangible assets, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset, or a right-of-use asset, is impaired if its carrying amount is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified according to the subsequent methods of measurement, i.e. at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are valued at the transaction price determined according to IFRS 15, as commented on in the section entitled "Revenue from contracts with customers". For a financial asset to be classified and valued at amortised cost or at FVOCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called "Solely Payments of Principal and Interest or SPPI"). This assessment is referred to as an SPPI test and is performed at instrument level.

For the purpose of subsequent measurement, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is to own financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group measures assets from debt instruments at FVOCI if both the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved by collecting contractual cash flows and by selling the financial assets, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortised cost. Other changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At the time of initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments pursuant to IAS

32 "Financial instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument.

Profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those that are carved out, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value are recognised in profit/(loss) for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the sections "Finance leases" and "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The portion of profit or loss on the hedged instrument, relating to the effective hedging portion, is recognized in the statement of other comprehensive income in the fair value reserve, while the ineffective portion is recognized directly in the income statement. When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

With regard to impairment, the IAS 39 model based on incurred losses was replaced in 2018 by the expected credit loss (ECL) model, as provided for in IFRS 9. The model assumes a significant level of estimation regarding the impact of changes in economic factors on ECL which are weighted according to probabilities. The impairment loss model is applied to financial assets valued at amortised cost or at FVOCI, except for equity instruments and assets deriving from contracts with customers.

Credit hedging funds are measured using the following methodological approaches: the General Deterioration Method and the Simplified Approach; in particular:

- the General Deterioration Method requires the classification of financial instruments included in the scope of application of IFRS 9 into three stages. The three stages reflect the level of deterioration in credit quality when the financial instrument is acquired and involve a different method of calculating the ECL;
- the Simplified Approach envisages, for trade receivables, contract assets and receivables deriving from lease contracts, the adoption of some simplifications, in order to avoid entities being forced to monitor changes in credit risk, as required by the General Model. Recognition of the impairment according to the simplified approach should be lifetime, so stage allocation is not required. One of the operational examples falling within the simplified approaches for the estimation of ECLs is that of the Provision Matrix, particularly suitable, in terms of its construction, for assessing trade receivables from a particularly fractioned clientèle but which offers the possibility of being categorised in the same risk classes. In fact, different impairment rates are determined in the provision matrix, making it possible to group together in the proposed matrix, first of all the receivables based on the days' delay in payment of the trade receivables. In addition to this aggregation variable, impairment rates are estimated by customer classes that show the same loss path. The standard does not lay down a single principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. According to the individual customer base, therefore, each entity organises the provision matrix by dividing customers into clusters using different factors and variables such as geographical area, product area and credit rating.

As anticipated above, when the General Deterioration Method is applied, financial instruments are classified into three stages according to the deterioration of their credit quality between the date of initial recognition and the measurement date:

- Stage 1 - for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: the expected losses are estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on the ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters are not estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;

- Stage 2 and 3 - on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

When defining the methodological approach to be applied to the assets in the scope of impairment, the financial assets in the portfolio subject to impairment were analysed with particular reference to trade receivables and contract assets, which represent the majority of the Group's credit exposure.

For trade receivables and contract assets, the Group generally determines qualitative and quantitative thresholds to define the default of these positions which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. For trade receivables deemed individually significant by management and for which more detailed information on the significant increase in credit risk is available, a simplified approach has been applied within the simplified model.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks.

Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity.

No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies. As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

Financial liabilities are split by IFRS 9 into financial liabilities at amortised cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

As regards the put & call options on minority interests, the Group recognizes a financial liability equal to the current value of the option's strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from net equity by reducing the minority interest if the terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently re-measured at each closing date in accordance with IFRS 9.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method. Note that the Group has included the information required by article 1, paragraph 125, of Law 124 of 4 August 2017 in the notes.

TAXES

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

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are only offset when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control. The Group's main revenue streams are:

- machines and contracts in progress,
- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

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

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

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

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

The Group generally receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months.

Presentation in the financial statements is as follows:

- Contract assets: the right to a consideration in exchange for goods or services transferred to the customer. If the transaction is fulfilled before payment of the consideration or before the payment is due, the contract is presented as an asset deriving from a contract, excluding the amounts presented as receivables. At each balance sheet date, the Group checks whether the asset deriving from a contract has suffered impairment according to IFRS 9;

- Receivables: the unconditional right to a consideration. The right to consideration is unconditional if only the passage of time is required to make the payment due. At each reporting date, the Group checks for any impairment according to IFRS 9;
- Contract liabilities: the obligation to transfer to the customer any goods or services for which consideration has been received from the customer. If the customer pays the consideration before the goods or services have been transferred, the contract is presented as a liability deriving from a contract at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each project.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement.

Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation into Euro of foreign currency amounts, are as follows:

	2022		2021	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.067	1.053	1.133	1.183
GB pound sterling	0.887	0.853	0.840	0.860
Indian rupee	88.171	82.686	84.229	87.439
Chinese yuan	7.358	7.079	7.195	7.628
Swiss franc	0.985	1.005	1.033	1.081
Argentine peso	188.503	188.503	116.362	116.362

Following the adoption of IAS 29 Accounting in Hyperinflationary Economies, the year-end exchange rate of the Argentine Peso is used as the average exchange rate. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine Peso.

HYPERINFLATION

In application of IAS 29 Accounting in Hyperinflationary Economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be reported in the current unit of measurement at the year-end date.

The balance sheet values not yet expressed in the current unit of measurement at the balance sheet date, i.e. non-monetary assets and liabilities and equity, are restated by applying a general price index that reflects the changes in general purchasing power. The monetary elements, represented by any cash held and by the asset or liability items whose values must be received or paid in cash, are not restated as they are already expressed in the current unit of measurement at the balance sheet date.

The gain or loss on the net monetary position is recognized in the income statement. Income statement balances are translated by applying the closing exchange rate instead of the average exchange rate, as required by IAS 21.

The standard is applied to the subsidiaries in Argentina.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the statement of financial position, income statement and statement of cash flows, as well as the explanatory notes.

The financial statement items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets: as required by the accounting standards they were subjected to an impairment procedure, as reported in Note 3,
- deferred tax assets,
- inventories,
- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on minority interests,
- bad debt provisions,
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a liability by lease and the related discount rate,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, in relation to both the allocation of the price of business combinations and the impairment test, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

As regards revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by the directors. These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements. Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

With regard to environmental issues and climate change, please refer to the comments in the Report on Operations. In applying the accounting standards, the Group has taken into account any impacts deriving from environmental issues and climate change, not finding any significant effects.

IMPACTS OF THE COVID-19 PANDEMIC AND THE CONFLICT IN UKRAINE

Another risk factor is the evolution of the Covid-19 epidemic. Despite the containment of the most critical phase of the pandemic, at least in the more developed countries, the virus still remains active, albeit more under control and with less aggressive symptoms. In a context of uncertainty that continues to persist, albeit to a lesser extent than in previous years, and in which the pandemic situation in China could slow down the global economic recovery in the event of unforeseen negative repercussions, the Group has adopted measures to protect employees' health and mitigate the impact of the emergency, as discussed in the Report on Operations in the sections entitled "Macroeconomic Conditions" and "Health, Safety and the Environment".

Moreover, the global economic picture could be further aggravated by a worsening of the Russian-Ukrainian conflict. The deterioration of relations between the West, Russia and China could have further repercussions on the stability of global equilibriums and international relations, which have become rather precarious since the early part of 2022; there could also be repercussions on economic growth, due to the increase in the price of energy, and on commercial relations, which would be subject to restrictions if further sanctions are imposed on Russia by Western countries, with the possibility of this creating further escalation. An escalation of the war in Ukraine remains a major source of vulnerability, especially for Europe and low-income countries.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's segment information is divided into the Pharmaceutical, Consumer and Automation segments, grouped together by their markets of reference.

IMPLEMENTATION OF ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applied from 1 January 2022

The other amendments and interpretations of accounting standards and methods in force from 1 January 2022 govern circumstances and situations that are not present, not relevant or that have not had material effects on the Group's consolidated financial statements:

- Amendments to IAS 16 - Proceeds before intended use;
- Amendments to IAS 37 - Onerous Contracts, costs of fulfilling a contract;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Annual cycle of improvements to IFRS 2018-2020.

Accounting standards issued but not yet in force

The Group does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document:

- IFRS 17 - Insurance Contracts;
- Amendments to IAS 1 - Presentation of Financial Statements: classification of liabilities as current or non-current;
- Amendments to IAS 1 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from single transaction;

- Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback;
- Amendments to IFRS 17 - Insurance Contracts - Comparative Information.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
    a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
    b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
    c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

Credit risk

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed at Group companies, so the likelihood of risk is considered immaterial.

It should be noted that at 31 December 2022 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2022 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

Liquidity risk

The difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements. The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities and, on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

In addition to what has already been said about the bond loan and the Super Senior Revolving borrowing facilities, since 2021, a programme has been implemented to concentrate the cash of some Italian subsidiaries in a master account held by IMA S.p.A., using the zero balance method, a programme that was extended to certain foreign subsidiaries during the current year. The same cash management model was used between IMA Life North America Inc. and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31.12.2022				
Borrowings and lease liabilities	140,829	93,790	1,566,783	1,801,402
Commitments	8,094	1,647	–	9,741
Trade Payables	535,487	–	–	535,487
Total	**684,410**	**95,437**	**1,566,783**	**2,346,630**
31.12.2021				
Borrowings and lease liabilities	88,262	63,716	1,577,898	1,729,876
Commitments	11,276	1,760	–	13,036
Trade Payables	435,283	–	–	435,283
Total	**534,821**	**65,476**	**1,577,898**	**2,178,195**

Further information on the composition of the above items is provided in Notes 15, 18 and 31.

At 31 December 2022 the Group had about 465 million euros available in unused lines of credit (520 million euros at 31 December 2021) and cash and cash equivalents of 205 million euros (232 million euros at 31 December 2021).

As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 685 million euros at 31 December 2022 (444 million euros at 31 December 2021).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. Market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of these risks:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	204,686	61,279	(919)	–	956	–
Trade and other receivables	756,687	182,814	(3,432)	–	3,569	–
Financial assets at amortized cost, at FVOCI and at FVPL	14,894	3,946	(142)	–	145	–
Derivative financial instruments	5,005	880	–	953	–	(405)
Tax effect			1,078	(229)	(1,121)	97
			(3,415)	**724**	**3,549**	**(308)**
Financial liabilities:						
Borrowings	330,804	275	–	–	–	–
Bonds	1,263,937	–	–	–	–	–
Lease liabilities	206,661	–	–	–	–	–
Trade and other payables	1,037,850	233,833	4,517	–	(4,700)	–
Derivative financial instruments	709	709	–	107	–	(867)
Tax effect			(1,084)	(26)	1,128	208
			3,433	**81**	**(3,572)**	**(659)**
Total increases (decreases) for 2022			**18**	**805**	**(23)**	**(967)**
Total increases (decreases) for 2021			**545**	**838**	**(540)**	**(872)**

2022 and 2021 variability parameters: +/-2% €/\$, +/-2% €/£ and +/-2% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following table breaks down trade and other receivables and payables by currency:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	523,910	51,392	674,722	208,517
US dollar	93,168	6,408	77,875	12,450
Swiss franc	47,723	2,189	19,992	4,592
Indian rupee	1,458	1,489	3,422	1,939
GB Pound sterling	2,984	820	3,176	873
Thai baht	5,710	3,425	3,276	785
Chinese yuan	4,632	1,501	8,052	3,539
Brazilian real	1,524	1,101	5,214	580
Russian ruble	261	579	1,977	120
Argentine Peso	561	1,692	1,799	1,044
Other	3,091	1,069	2,771	1,135
Total at 31 December 2022	**685,022**	**71,665**	**802,276**	**235,574**
Euro	344,439	46,695	523,245	214,349
US dollar	46,956	5,629	64,538	13,912
Swiss franc	24,139	2,288	20,127	5,236
Indian rupee	1,546	1,126	4,130	2,531
GB Pound sterling	3,904	629	5,106	1,407
Thai baht	5,262	3,626	2,898	773
Chinese yuan	5,349	2,162	8,676	3,748
Brazilian real	993	548	1,747	517
Russian ruble	500	499	992	77
Argentine Peso	367	1,504	2,918	930
Other	10,696	932	7,594	1,399
Total at 31 December 2021	**444,151**	**65,638**	**641,971**	**244,879**

It should also be noted that at 31 December 2022 the financial assets at amortised cost, FVOCI and FVPL are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically purchases of IRS and caps and sales of floors which, once a certain level has been reached, transform a floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

in thousands of euros	Carryng value	Of which subject to IRR	Interest rate risk (IRR) Increase effect Profits (Losses)	Other changes in FVR	Decrease effect Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	204,686	100,975 (*)	105	–	(26)	–
Trade and other receivables	756,687	–	–	–	–	–
Financial assets at amortized cost, at FVOCI and at FVPL	14,894	–	–	–	–	–
Derivative financial instruments	5,005	4,125	13	800	(13)	(850)
Tax effect			(28)	(192)	9	204
			90	**608**	**(30)**	**(646)**
Financial liabilities:						
Borrowings	330,804	245,210 (*)	(506)	–	506	–
Bonds	1,263,937	450,000	(2,250)	–	2,250	–
Lease liabilities	206,661	(**) –	–	–	–	–
Trade and other payables	1,037,850	–	–	–	–	–
Derivative financial instruments	709	–	–	–	–	–
Tax effect			661	–	(661)	–
			(2,095)	**–**	**2,095**	**–**
Total increases (decreases) for 2022			**(2,005)**	**608**	**2,065**	**(646)**
Total increases (decreases) for 2021			**(2,075)**	**906**	**2,075**	**(967)**

2022 and 2021 variability parameters +/- 50 bp €/$

(*) Annual average.

(**) Not considered as they are fixed rate

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

The Group considered that to date the variables underlying the determination of variable interest rates continue to be quantities widely traded on the markets.

Exchange rate and interest rate risk management is carried out by the individual companies' treasury departments in line with the "Risk Management Policy".

Price risk

At 31 December 2022, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net financial debt and its equity:

in thousands of euros	2022	2021
Net financial debt (A)	1,587,520	1,448,149
Equity (B)	2,190,810	2,068,789
Total capital (A)+(B)=(C)	3,778,330	3,516,938
Gearing ratio (A)/(C)	**42%**	**41%**

In relation to the change in net financial debt and shareholders' equity, please refer to the comments in Notes 15 and 13.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2022 and 31 December 2021 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	10,405	10,405
Derivative financial instruments	–	5,005	–	5,005
Total assets at 31 December 2022	**–**	**5,005**	**10,405**	**15,410**
Liabilities:				
Payables for acquisitions	–	–	95,148	95,148
Derivative financial instruments	–	709	–	709
Total liabilities at 31 December 2022	**–**	**709**	**95,148**	**95,857**
in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	11,777	11,777
Derivative financial instruments	–	239	–	239
Total assets at 31 December 2021	**–**	**239**	**11,777**	**12,016**
Liabilities:				
Payables for acquisitions	–	–	92,537	92,537
Derivative financial instruments	–	2,753	–	2,753
Total liabilities at 31 December 2021	**–**	**2,753**	**92,537**	**95,290**

Investments in other companies and investments in securities held as financial assets at FVOCI are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except for the investment in Note 5 in relation to Mint Street Holding S.p.A., a financial asset valued at FVPL.

During 2022 , there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2021	25,667	105,219
Profit/(losses) recognized in P.L.	5,265	6,631
Profit/(losses) recognized in OCI	2,001	–
Options Teknoweb Convertign S.r.l.	–	(18,039)
Further acquisition of 10% of Eurosicma S.p.A.	–	(3,900)
Acquisition of FASP S.p.A.	–	4,656
Acquisition of Thomas Llc	–	2,423
Increases/(decreases)	(21,156)	(4,453)
Balance at 31.12.2021	**11,777**	**92,537**
Profit/(losses) recognized in P.L.	–	(3,857)
Profit/(losses) recognized in OCI	(2,797)	–
Acquisition of ATOP S.p.A.	–	(23,309)
Acquisition of Dairy & Food business	–	32,614
Increases/(decreases)	1,425	(2,837)
Balance at 31.12.2022	**10,405**	**95,148**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, represented by potential payments associated with the purchase of minority interests in subsidiaries.

E) CONSOLIDATION PRINCIPLES

Subsidiary companies

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity.

The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

The Group reckons that it has acquired a business when the integrated set of activities and assets includes at least one factor of production and a substantial process which together contribute significantly to the ability to generate an output.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2022 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control. A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The main events in 2022 regarding the companies included in the consolidation area are as follows:

- merger by absorption of the wholly owned subsidiaries Telerobot S.p.A., CMRE S.r.l., Transworld Packaging Holding S.p.A. and Luna Investment S.r.l. by IMA S.p.A., with effect from 1 January 2022;

- merger by absorption of the wholly owned subsidiary Asset Management Service S.r.l. by Tissue Machinery Company S.p.A., with effect from 1 January 2022;
- completion by IMA S.p.A. of the purchase of a 34.9% stake in IMA Dairy & Food Holding GmbH, of which it already held 40%. The German company controls, among others, Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Erca SAS, INTECMA SA and CDE-Packaging GmbH. The Group is a leader in the design, production and marketing of machines, lines and systems for the packaging of products for the food industry and, in particular, the dairy sector with production plants in Germany, France and Spain. Put and call option contracts were also signed for the remaining 25.1%, the percentage attributable to the Group is 100%. See Note 29 "Business combinations" for further information;
- sale to third parties by Teknoweb Converting S.r.l. of the 100% interest in Tekno NA Inc., the company that owned 75% of Teknoweb NA Llc., for 846 thousand US dollars, generating a capital gain of 184 thousand euros;
- merger by absorption of the wholly owned subsidiary Eurotekna S.r.l. by Eurosicma S.p.A., with effect from 1 January 2022;
- completion of the purchase by the Parent Company of the residual 6.54% of ATOP S.p.A., thereby achieving a 100% investment, for an amount of 23,309 thousand euros, paid at the same time that the deal was closed;
- completion by IMA Dairy & Food Holding GmbH of the purchase of a 49% stake in CDE-Packaging GmbH, of which it already held 51% for 100 thousand euros.

In the interests of full disclosure, it is worth reiterating that, on 28 July 2020, an agreement was signed between the shareholders of SOFIMA., the holding company that is the parent of IMA S.p.A., and a number of funds assisted by BC Partners LLP. As a result, a situation of joint control over the parent SOFIMA came about, along with a change in control over IMA.

On 10 December 2020, Consob approved the offer document prepared for the launch of the mandatory tender offer for 100% of the shares of IMA S.p.A. by IMA BidCo S.p.A., the vehicle set up to carry out the steps needed to achieve this change of control over IMA. At that date, IMA Bidco S.p.A. was fully controlled by Sofima Holding S.p.A., which was in turn controlled by Sofima PIK S.p.A. and, indirectly, by SOFIMA.

In January 2021, the tender offer for the entire share capital of IMA S.p.A. was concluded.

On 8 April 2021, once the delisting had been completed, the Extraordinary Shareholders' Meeting of Sofima Holding S.p.A. approved the unified project for the reverse merger by absorption of IMA BidCo S.p.A. and Sofima Holding S.p.A. by IMA S.p.A. Similar resolutions were passed by the Extraordinary Shareholders' Meetings of the subsidiaries IMA BidCo S.p.A. and IMA S.p.A. The merger was divided into:

- a reverse merger of IMA BidCo S.p.A. with its wholly owned subsidiary IMA S.p.A. (the “First Merger”);
- a reverse merger of Sofima Holding S.p.A. with IMA S.p.A. resulting from the First Merger (the "Second Merger").

The First Merger took effect on 19 June 2021. The Second Merger took effect on 20 June 2021. For accounting and tax purposes, both mergers took effect from 1 January 2021.

For further information, please refer to the detailed comments in IMA's 2021 Annual Financial Report.

The reverse merger by absorption into the subsidiary Claren Cutting Service S.r.l. of its parent, Spares & More S.r.l. and the merger by absorption of Thomas Llc by IMA North America Inc.

The resolutions approving the reverse merger by the subsidiary Claren Cutting Service S.r.l. absorbing its parent company, Spares & More S.r.l., were registered with the competent Company Registers on 11 and 12 October 2022.

The merger was completed in 2022, with effect from 1 January 2023, changing the company's name to Spares Service & Machinery S.r.l.

Furthermore, during the current year, the merger by absorption of the US company Thomas Llc by its parent IMA North America Inc. was also completed, with effect from 1 January 2023.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The following is an explanation of the Group's main operating segments which, since the accounts prepared at 30 June 2022, have been redesigned to reflect the internal organisation of the Group and aggregated on the basis of the complementarity of the reference market for customers of the companies that form part of each segment. In accordance with IFRS 8 Operating Segments, the comparative figures has been appropriately restated to ensure that they are fully comparable.

Pharmaceutical

It makes machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile conditions, machines for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services.

Operations in this sector are mainly carried out by the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe Division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life Division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active Division;
  - end-of-line machines through the BFB Division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
- Thomas Llc produces tablet coating systems for the pharmaceutical industry.

Consumer

It produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for tobacco packaging and for the tissue segment, as well as related services.

Operations in this sector are carried out mainly by the following companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags through the Tea & Herbs Division;
  - overhaul of used machines for processed cheeses and tea and herbs in filter paper bags through the RI Division;
  - machines for food and personal care through the GIMA Division;
  - machines for the coffee sector through the Coffee Division;
  - tobacco packaging machines through the IMA T&T division;
  - pouch-filling machines through the Fillshape Division;
  - machines and systems for dosing and packaging cheese in portions and stock cubes through the Corazza division;
- Alphamac S.r.l. designs and produces fluid packaging machines.
- Benhil GmbH produces machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Eurosicma S.p.A. produces machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industry;
- Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Erca S.A.S., INTECMA S.A. and CDE-Packaging GmbH manufacture machines for forming, filling and sealing, for containers and sticks;
- Ilapak International SA, Ilapak Italia S.p.A. and Delta Systems & Automation Llc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A.U. manufactures machines for the packaging of tea and herbal teas in filter bags;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Record S.p.A. designs and produces low-medium speed machinery and plants in the flexible packaging sector, known as "flow pack", for the packaging of food and non-food products;
- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for the packaging and management of tissue and personal care products.

Automation

It deals with technological solutions in various market segments, including Personal Care and Pharmaceuticals, and in particular the production of systems for the assembly of medical products, for the production of electric motors, automotive, e-mobility and caps & closures, as well as related services.

Operations in this sector are carried out mainly by the following companies:

- IMA S.p.A. manufactures:
  - machines for assembly through the Automation Division, Bologna;
  - machines for the assembly of plastic materials in the caps and closures sector through the Automation Division, Alessandria;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors for the automotive sector;
- FASP S.r.l. produces machines and automatic production lines for electric motors;
- IMA Automation Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems.

<u>ANALYSIS BY BUSINESS SEGMENT</u>

Information by business segment for 2022 and 2021 is shown below:

	2022				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Not allocated (*)	Total
Revenue from contracts with customer	885,582	820,722	284,039	–	1,990,343
Segment operating profit	97,203	72,575	14,147	–	183,925
Net financial income (expense) (**)					(52,839)
Profit (loss) from investments accounted for using the equity method	316	(1,093)	–	(27)	(804)
Profit before taxes					130,282
Taxes					(22,265)
Profit for the year					108,017

	2021				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Not allocated (*)	Total
Revenue from contracts with customer	810,998	660,571	216,748	–	1,688,317
Segment operating profit	89,249	60,585	4,080	–	153,914
Net financial income (expense) (**)					(88,819)
Profit (loss) from investments accounted for using the equity method	1,139	(812)	–	55	382
Profit before taxes					65,477
Taxes					(9,383)
Profit for the year					56,094

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.

(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenue over the corresponding period of 2021:

in thousands of euros	2022	2021	Change
Pharmaceutical	885,582	810,998	74,584
Consumer	820,722	660,571	160,151
Automation	284,039	216,748	67,291
Total	**1,990,343**	**1,688,317**	**302,026**

Consolidated revenue for 2022 came to1,990,343 thousand euros, up by 17.9% due to the higher backlog at the beginning of the year, the positive order intake during the period and line-by-line consolidation of the Dairy & Food business.

Revenue by segment is discussed below:

- the Pharmaceutical segment shows an increase of 9.2%, due to the higher backlog at the beginning of the year and the positive order intake during the period;
- the Consumer segment recorded strong growth, increasing by 24.2% compared with the previous year, mainly due to the contribution made by the newly acquired Dairy & Food business of 129,822 thousand euros;
- the Automation segment came in at 284,039 thousand euros, which is up on the previous year following the higher backlog at the beginning of the year and the positive order intake during the period.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2022	2021	Change
Pharmaceutical	97,203	89,249	7,954
Consumer	72,575	60,585	11,990
Automation	14,147	4,080	10,067
Total	**183,925**	**153,914**	**30,011**

The Pharmaceutical segment recorded an increase on the previous year, achieving an operating profit of 97,203 thousand euros (11.0% of revenue) compared with 89,249 thousand euros in 2021, after deducting non-recurring charges of 2,369 thousand euros (10,965 thousand euros the previous year).

The Consumer segment's operating profit was 72,575 thousand euros (8.8% of revenue) vs 60,585 thousands of Euros of 2021 (9.2% of revenue) with a contribution from the newly acquired Dairy & Food business of 2,757 thousand euros, after deducting non-recurring charges of 1,498 thousand euros (3,881 thousand euros the previous year).

The Automation Segment's operating profit shows a significant increase compared with the previous year, coming in at 14,147 thousand euros compared with 4,080 thousand euros in 2021, mainly due to higher volumes and better industrial margins.

The tables below provide other income statement information regarding Group operations by sector:

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Amortization, depreciation, impairment and writedowns	71,382	65,559	26,405	163,346
Other non-monetary costs (revenues)	3,716	4,606	391	8,713

	2021			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Amortization, depreciation, impairment and writedowns	66,770	53,442	23,476	143,688
Other non-monetary costs (revenues)	5,912	8,946	5,180	20,038

The increase in amortisation and depreciation in the Consumer segment mainly reflects the acquisition of the Dairy & Food business for 9,056 thousand euros.

The decrease in other non-monetary costs mainly refers to the different changes in provisions for risks and charges.

Capital expenditure by operating segment are as follows:

in thousands of euros	2022	2021	Change
Pharmaceutical	56,538	56,931	(393)
Consumer	39,351	43,611	(4,260)
Automation	23,732	19,011	4,721
Total	**119,621**	**119,553**	**68**

Balance sheet information at 31 December 2022 is shown below:

	31 December 2022				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating assets	2,316,974	2,002,503	858,333	–	5,177,810
Investments accounted for using the equity method	19,880	4,768	–	38	24,686
Financial assets	4,426	–	–	10,468	14,894
Deferred tax assets					71,514
Income tax receivables					7,143
Cash and cash equivalents					204,686
Total assets					5,500,733

	31 December 2022				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating liabilities	496,204	484,896	151,348	–	1,132,448
Borrowings and lease liabilities					1,801,402
Deferred tax liabilities					365,116
Income tax liabilities and other provision for risks					10,957
Total liabilities					3,309,923

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Balance sheet information at 31 December 2021 is shown below:

	31 December 2021				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating assets	2,236,636	1,705,470	795,450	–	4,737,556
Investments accounted for using the equity method	19,491	9,688	–	1,413	30,592
Financial assets	3,761	–	–	53,302	57,063
Deferred tax assets					62,662
Income tax receivables					21,370
Cash and cash equivalents					231,727
Total assets					5,140,970

	31 December 2021				
in thousands of euros	Pharma-ceutical	Consumer	Automation	Non allocated (*)	Total
Segment operating liabilities	457,699	359,080	153,660	–	970,439
Borrowings and lease liabilities					1,729,876
Deferred tax liabilities					361,435
Income tax liabilities and other provision for risks					10,431
Total liabilities					3,072,181

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows.

The information periodically reviewed by the highest operational decision-making level was considered, split into three categories: geographical area, business segment and timing of recognition.

REVENUE BY GEOGRAPHICAL AREA

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
European Union (excluding Italy)	229,591	205,665	101,595	536,851
Other European countries	74,319	125,629	43,609	243,557
North America	200,054	181,798	64,506	446,358
Asia & Middle East	180,832	114,117	33,017	327,966
Italy	137,414	99,307	34,946	271,667
Other countries	63,372	94,206	6,366	163,944
Total	885,582	820,722	284,039	1,990,343

	2021			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
European Union (excluding Italy)	212,535	179,149	91,042	482,726
Other European countries	73,916	113,171	23,068	210,155
North America	187,529	111,230	49,079	347,838
Asia & Middle East	163,154	83,775	26,926	273,855
Italy	118,061	83,517	23,613	225,191
Other countries	55,803	89,729	3,020	148,552
Total	810,998	660,571	216,748	1,688,317

Revenue is allocated according to the geographical area of the invoiced customer.

The Group does not have any companies in Ukraine, whereas it does have three trading companies in Russia. While keeping a close eye on the ever-changing situation, we do not expect to have significant repercussions from the Russian-Ukrainian conflict as the impact of those markets in 2022 was approximately 1.8% of total revenue and 1.3% of the backlog.

The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from EU countries, excluding Italy, has increased in Spain, Denmark, Germany and Romania and decreased in the Netherlands, France and Portugal;
- sales in other European countries are showing growth compared with the previous year, especially in Switzerland;
- North America has increased considerably thanks to higher volumes, also because there is essentially no local competition in the Group's sectors of reference;
- in Asia and the Middle East, the trend is in line with the previous year and this market continues to be important as it regularly accounts for 15% of Group sales. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer;
- revenue from other countries reflects a variety of trends with a contraction in Mexico and growth in Brazil and Australia;
- the growth in Italy was due to a higher number of projects compared with the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analysed by geographical area are as follows:

in thousands of euros	31.12.2022	31.12.2021
Italy	3,269,578	3,314,700
European Union (excluding Italy)	226,032	76,407
Other European countries	117,499	111,237
North America	279,965	284,082
Asia & Middle East	73,146	69,485
Other countries	42,839	43,061
Total	**4,009,059**	**3,898,972**

Operations are allocated to the geographical areas in which they are located.

The increase is substantially attributable to the acquisition of the Dairy & Food business.

REVENUE BY BUSINESS CATEGORY

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Original Equipment	595,807	533,282	244,080	1,373,169
After-Sales	289,775	287,440	39,959	617,174
Total	885,582	820,722	284,039	1,990,343

	2021			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Original Equipment	540,511	438,813	176,507	1,155,831
After-Sales	270,487	221,758	40,241	532,486
Total	810,998	660,571	216,748	1,688,317

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

REVENUE BY TIMING OF RECOGNITION

	2022			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Revenue at a point in time	324,596	480,815	47,074	852,485
Revenue over time	560,986	339,907	236,965	1,137,858
Total	885,582	820,722	284,039	1,990,343

	2021			
in thousands of euros	Pharma-ceutical	Consumer	Automation	Total
Revenue at a point in time	308,148	401,870	40,511	750,529
Revenue over time	502,850	258,701	176,237	937,788
Total	810,998	660,571	216,748	1,688,317

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time.

The machines, kits, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

2. Property, plant and equipment and right of use assets

PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Land and building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.2021						
Gross amount	60,593	92,537	40,000	50,647	13,153	256,930
Accumulated depreciation and write-downs	(11,898)	(58,751)	(33,280)	(36,685)	–	(140,614)
Balances at 01.01.2021	**48,695**	**33,786**	**6,720**	**13,962**	**13,153**	**116,316**
Monetary revaluation for hiperinflation	–	594	–	42	–	636
Additions	1,021	14,123	2,103	7,572	14,572	39,391
Sales and eliminations	–	(329)	(4)	(134)	–	(467)
Change in scope of consolidation	–	270	50	437	–	757
Depreciation	(1,738)	(7,166)	(2,551)	(5,100)	–	(16,555)
Reclassifications and other changes	3,911	5,242	24	1	(9,388)	(210)
Exchange rate difference	713	526	75	203	151	1,668
Balances at 31.12.2021	**52,602**	**47,046**	**6,417**	**16,983**	**18,488**	**141,536**
Balances at 01.01.2022						
Gross amount	66,389	114,219	42,508	57,442	18,488	299,046
Accumulated depreciation and write-downs	(13,787)	(67,173)	(36,091)	(40,459)	–	(157,510)
Balances at 01.01.2022	**52,602**	**47,046**	**6,417**	**16,983**	**18,488**	**141,536**
Monetary revaluation for hiperinflation	–	1,054	–	111	128	1,293
Additions	1,314	11,377	2,103	6,441	9,652	30,887
Sales and eliminations	–	(471)	(17)	(29)	(6)	(523)
Acquisition of Dairy & Food business	9,554	1,564	521	982	19	12,640
Depreciation	(2,327)	(10,322)	(2,844)	(6,410)	–	(21,903)
Reclassifications and other changes	2,801	7,234	192	17	(8,401)	1,843
Exchange rate difference	254	(442)	20	46	192	70
Balances at 31.12.2022	**64,198**	**57,040**	**6,392**	**18,141**	**20,072**	**165,843**
Gross amount	88,051	141,396	47,613	67,791	20,072	364,923
Accumulated depreciation and write-downs	(23,853)	(84,356)	(41,221)	(49,650)	–	(199,080)
Balances at 31.12.2022	**64,198**	**57,040**	**6,392**	**18,141**	**20,072**	**165,843**

The "Currency revaluation due to hyperinflation" relates to the Argentine subsidiaries IMA MAI S.A. and Tecmar S.A.

The increases for the year mainly refer to capital expenditure on plant, machinery, equipment and electronic machines and charges attributable to industrial buildings.

The reclassifications and other changes mainly reflect the transfer of ownership of the property in Collecchio (PR) after the Parent Company had exercised the final redemption option of the property finance lease, as well as equipment and machinery.

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2022	31.12.2021	31.12.2022	31.12.2021
IMA S.p.A.	5,958	3,164	4,052	3,032
ATOP S.p.A.	151	151	13,702	14,177
Ciemme S.r.l.	780	780	3,209	3,510
Delta Systems & Automation Llc	1,297	1,221	4,789	4,545
Erca SA.S	438	–	917	–
Hassia Verpackungsmaschinen GmbH	1,600	–	6,227	–
Ilapak Inc.	178	168	712	753
Ilapak Italia S.p.A.	763	763	3,189	3,318
Ilapak Sp. Z o.o.	409	417	696	736
Ilapak Verpackungsmaschinen GmbH	115	115	432	448
IMA France Eurl	183	183	299	317
IMA-PG India Pvt. Ltd.	1,787	1,871	1,262	1,392
Record S.p.A.	540	540	4,164	4,402
Società del Sole S.r.l.	2,984	2,984	–	–
Tissue Machinery Company S.p.A.	728	728	2,425	2,507
Other	31	202	181	178
Total	**17,942**	**13,287**	**46,256**	**39,315**

"Other assets" comprise:

in thousands of euros	31.12.2022	31.12.2021
Electronic office machines	10,507	9,843
Office furniture and fittings	5,923	5,470
Vehicles	1,337	1,492
Other	374	178
Total	**18,141**	**16,983**

Assets under construction and advances mainly include charges attributable to the industrial building under construction in Parma by the Parent Company and equipment, plant and machinery under construction.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

Mortgages have been granted on the properties in Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans, as commented on in Note 15.

There are no internal or external elements to suggest that assets have suffered an impairment in value.

RIGHT OF USE ASSETS

The following table provides details of the right of use assets and related changes during the period:

in thousands of euros	Land and building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Balances at 01.01.2021						
Gross amount	268,308	1,284	78	9,910	34,565	314,145
Accumulated depreciation	(70,021)	(396)	(55)	(4,025)	–	(74,497)
Balances at 01.01.2021	**198,287**	**888**	**23**	**5,885**	**34,565**	**239,648**
Monetary revaluation for hiperinflation	114	–	–	–	–	114
Additions	32,128	–	670	2,587	3,337	38,722
Change in scope of consolidation	6,767	–	–	14	–	6,781
Depreciation	(27,393)	(173)	(86)	(2,875)	–	(30,527)
Reclassifications and other changes	30,992	–	(7)	(128)	(32,872)	(2,015)
Exchange rate difference	2,865	–	–	32	(20)	2,877
Balances at 31.12.2021	**243,760**	**715**	**600**	**5,515**	**5,010**	**255,600**
Gross amount	340,521	1,284	687	10,851	5,010	358,353
Accumulated depreciation	(96,761)	(569)	(87)	(5,336)	–	(102,753)
Balances at 31.12.2021	**243,760**	**715**	**600**	**5,515**	**5,010**	**255,600**
Monetary revaluation for hiperinflation	635	–	–	–	–	635
Additions	36,636	228	216	3,072	1,564	41,716
Acquisition of Dairy & Food business	4,162	736	–	668	–	5,566
Depreciation	(31,508)	(282)	(198)	(3,088)	–	(35,076)
Reclassifications and other changes	(288)	(103)	77	(388)	(3,575)	(4,277)
Exchange rate difference	981	–	–	5	–	986
Balances at 31.12.2022	**254,378**	**1,294**	**695**	**5,784**	**2,999**	**265,150**
Gross amount	381,229	2,328	1,064	12,471	2,999	400,091
Accumulated depreciation	(126,851)	(1,034)	(369)	(6,687)	–	(134,941)
Balances at 31.12.2022	**254,378**	**1,294**	**695**	**5,784**	**2,999**	**265,150**

During 2022 right-of-use assets were recognized for a total of 33,672 thousand euro, mainly for the updating of existing lease contracts and improvements by Group companies, for 8,044 thousand euros, mainly for industrial properties leased by the Parent Company in Ozzano dell'Emilia (BO) and Castel San Pietro Terme (BO).

Other assets mainly consist of cars, while assets under construction refer above all to the real estate complexes in Ozzano dell'Emilia (BO) and Castel San Pietro Terme (BO).

There are no internal or external elements to suggest that right-of-use assets have suffered an impairment in value.

Investments in property, plant and equipment reported in the consolidated cash flow statement include additions in own properties and improvements classified under right-of-use assets.

3. Intangible assets

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.2021						
Gross amount	332,865	34,971	292,004	481,741	38,147	1,179,728
Accumulated amortization and write-downs	(175,392)	(28,868)	(103,940)	–	–	(308,200)
Balances at 01.01.2021	**157,473**	**6,103**	**188,064**	**481,741**	**38,147**	**871,528**
Effect of mergers	157,405	–	822,525	1,651,862	–	2,631,792
Additions	7,140	3,681	8,312	–	22,307	41,440
Changes in scope of consolidation	–	1	98	–	–	99
Acquisition of Thomas Llc	–	–	–	4,331	–	4,331
Acquisition of FASP S.r.l.	–	–	–	8,758	–	8,758
Amortization	(39,258)	(1,973)	(55,375)	–	–	(96,606)
Reclassifications and other changes	10,611	(80)	739	–	(11,831)	(561)
Exchange rate difference	204	18	50	284	190	746
Balances at 31.12.2021	**293,575**	**7,750**	**964,413**	**2,146,976**	**48,813**	**3,461,527**
Balances at 01.01.2022						
Gross amount	419,942	38,230	1,075,875	2,146,976	48,813	3,729,836
Accumulated amortization and write-downs	(126,367)	(30,480)	(111,462)	–	–	(268,309)
Balances at 01.01.2022	**293,575**	**7,750**	**964,413**	**2,146,976**	**48,813**	**3,461,527**
Additions	4,251	4,120	9,597	–	29,050	47,018
Decreases	–	–	–	–	–	–
Acquisition of Dairy & Food business	28,671	465	46,980	64,165	97	140,378
Amortization	(44,078)	(2,544)	(59,480)	–	–	(106,102)
Writedowns/impairment	–	–	–	–	(265)	(265)
Reclassifications and other changes	15,703	(10)	268	–	(15,923)	38
Exchange rate difference	214	13	30	286	213	756
Balances at 31.12.2022	**298,336**	**9,794**	**961,808**	**2,211,427**	**61,985**	**3,543,350**
Gross amount	473,289	43,736	1,139,143	2,211,427	61,985	3,929,580
Accumulated amortization and write-downs	(174,953)	(33,942)	(177,335)	–	–	(386,230)
Balances at 31.12.2022	**298,336**	**9,794**	**961,808**	**2,211,427**	**61,985**	**3,543,350**

With reference to the item "Effect of mergers in 2021" and as commented on in detail in the 2021 Annual Report, to which reference is made for further information, the tender offer for the entire share capital of IMA S.p.A. was completed during the previous year. The business combination resulting from the offer involved a valuation of the assets acquired and the liabilities assumed by the IMA Group at their respective fair values. In this context, the Group identified the fair value of certain intangible assets, which were previously without a value in the Group's consolidated financial statements. The difference between the price paid for the acquisition and the net value of the assets acquired and liabilities assumed was first allocated to the three categories of intangible assets: Development costs, Brands and Customer relationships, and for the rest to Goodwill. Within these assets, development costs refer to unpatented technology with a useful life that is put at 10 years. The intangible assets Brands and Customer relationships, which have an estimated useful life of 20 years, have been classified as "Software, licences, trademarks and other rights".

As part of the acquisition of the Dairy & Food business, unpatented technologies classified under Development costs were recognized during the year for 27,861 thousand euros with an estimated useful life of 10 years, as well as Brand intangible assets for 23,771 thousand euros with an estimated useful life of 20 years and Customer relationships for 22,513 thousand euros with an estimated useful life of 15 years, classified in the category "Software, licences, trademarks and other".

In addition to the above, development costs mainly refer to unpatented technology with a useful life of between 3 and 15 years.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 70,165 thousand euros (60,975 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is mainly due to the expenses incurred for the protection and extension of patents in other countries and for the purchase of patents relating to the Consumer segment by the Parent for 2,210 thousand euros.

Software, licences, trademarks and other rights include Brands and Customer relationships for 277,777 thousand euros and 658,919 thousand euros respectively, as well as application, management, administrative and technical software. The increases during the year mainly concerned the acquisition by IMA S.p.A. of software and licences relating to the sales and marketing, administrative, logistics and technical areas.

The above mentioned assets have been tested for impairment, but no adjustments emerged.

Goodwill comprises the following:

in thousands of euros	31.12.2022	31.12.2021
CGU Pharma	1,011,400	1,011,114
CGU Tea & Coffee	218,497	218,497
CGU Dairy & Flex	383,067	318,902
CGU Tissue	69,631	69,631
CGU T&T	162,683	162,683
CGU Automation	366,149	366,149
Total	**2,211,427**	**2,146,976**

For information on the goodwill recognized following the acquisition of the Dairy & Food business, included in the Dairy & Flex CGU, equal to 64,165 thousand euros, please refer to the comments in Note 29 Business Combinations.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment. The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the CGUs of the Group, as represented by the individual divisions and/or business units to which they relate. Even if such companies merged with the acquiring company after the acquisition and lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of the CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow produced from managing the operations

WACC = Weighted Average Cost of Capital

N = Number of years in the discount period

TV = Terminal Value, i.e. the current value of the cash flows generated after the end of the discount period

FCFn = Free Cash Flow sustainable after the end of the discount period

g = Growth rate of the business beyond the assumed period of the plan

The discount rate used is the Weighted Average Cost of Capital (WACC) and was calculated specifically for each CGU.

The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate).

The cash flows of the individual CGUs are estimated based on the forecasts of the 2023 budget approved by the Board of Directors on 15 March 2023 and estimates for the following two-year period 2024-2025 (four-year period 2024-2027 only for the Automation CGU as the valuation in the E-traction market requires a longer period of time); a "normalised" flow is also estimated for the purpose of calculating the terminal value. These flows are then discounted at rates that reflect current market valuations of the cost of money, taking into account the specific risks of the individual CGUs.

The growth rate *g* used is 1.0% for all CGUs.

With reference to the values of goodwill at 31 December 2022, the impairment test procedures carried out in accordance with IAS 36 and applied on the basis of the methodologies and assumptions described above, found the carrying amounts to be fully recoverable so there was no need for any impairment adjustments. This monitoring was carried out on the basis of the new aggregation of CGUs adopted starting from the 2021 Annual Report.

Given the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, sensitivity analyses were applied to the recoverable amount of the individual CGUs, assuming changes in the risk-free rate, the market risk premium and the growth rate *g*. These sensitivity analyses confirmed the full recoverability of goodwill.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC%	CAGR 2023-2025 Sales%
CGU Pharma	1,011,400	7.93	7.0
CGU Tea & Coffee	218,497	7.98	5.0
CGU Dairy & Flex	383,067	7.30	5.0
CGU Tissue	69,631	7.96	5.0
CGU T&T	162,683	7.98	3.0
CGU Automation	366,149	6.53	9.0
	2,211,427		

Management has formalised separate impairment tests for each CGU, indicating:

- identification of the intangibles and their allocation to the CGU;

- the economic-financial forecasts of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the forecasts of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

Assets under development and advances mainly relate to development projects in progress and new technologies attributable to the Parent Company (46,251 thousand euros) and concern new products that were not previously available and are targeted at new market segments.

Assets under development have been tested for impairment, but no adjustments emerged.

4. Investments accounted for using the equity method

Below is a breakdown:

At the reporting date, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company and their carrying value in its financial statements, recognizing this difference in the income statement.

in thousands of euros	31.12.2022	31.12.2021
Associates:		
Alfa S.r.l.	4,768	5,128
Amherst Stainless Fabrication Llc	687	450
A.P.M. Assembly Packaging Machinery S.r.l.	353	347
B.C. S.r.l.	3,989	3,841
Bacciottini F.lli S.r.l.	1,365	1,460
Bolognesi S.r.l.	1,710	1,453
Doo Officina-Game East Vrsac	559	498
I.E.M.A. S.r.l.	2,445	2,000
IMA Dairy & Food Holding GmbH	–	4,560
LA.CO S.r.l.	510	820
Logimatic S.r.l.	1,153	1,114
Meccanica Sarti S.r.l.	1,245	1,305
MORC2 S.r.l.	1,662	1,978
OLTRE S.r.l.	329	311
O.M.S. Officina Meccanica di Sonico S.r.l.	1,294	1,308
SILMAC. S.r.l.	1,711	1,878
STA.MA. S.r.l.	346	253
Other associates	560	1,888
Total	**24,686**	**30,592**

The summary data was prepared using the financial statements at 31 December 2021 of the Italian associated companies prepared in accordance with the national accounting standards; on the basis of analyses, the adjustments to align these financial statements with international accounting standards would not have led to significant differences.

The Group does not have any associated companies that are individually significant. Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The profit (loss) from investments accounted for using the equity method in 2022 is negative overall for 804 thousand euros (positive for 382 thousand euros the previous year).

Brief information about transactions with associates is given below:

- Alfa S.r.l. is active in the planing and production of projects, machines, plants and software used in production by the chemical industry;
- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- A.P.M. Assembly Packaging Machinery S.r.l. operates in the assembly, production and sale of mechanical parts, machinery and systems in general;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems;
- OLTRE S.r.l. is active in the provision of consultancy services for the mechanical sector;
- OMS Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines.

Other investments in associates consist of the following:

- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- Masterpiece S.r.l. operates in the field of mechanical engineering;
- BLQ S.r.l. (in liquidation), CAIMA S.r.l., FID S.r.l. Impresa Sociale, IEMATECH S.r.l., Me.Mo. S.r.l. (in liquidation), OMEGA S.r.l. and S.I.Me. S.r.l.

During 2022 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 1,720 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., Logimatic S.r.l., Masterpiece S.r.l., MORC 2 S.r.l., Powertransmission.it S.r.l., SIL.MAC. S.r.l. and STA.MA. S.r.l. and the Parent Company IMA S.p.A. of 180 thousand euros from B.C. S.r.l.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2022:

in thousands of euros	31.12.2022	31.12.2021
Associates:		
Alfa S.r.l.	3,801	3,801
A.P.M. Assembly Packaging Machinery S.r.l.	122	122
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
I.E.M.A. S.r.l.	295	295
LA.CO S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC2 S.r.l.	1,401	1,401
OLTRE S.r.l.	237	237
O.M.S. Officina Meccanica di Sonico S.r.l.	167	167
SILMAC S.r.l.	131	131
Total	**8,131**	**8,131**

As regards guarantees granted to associated companies, please read Note 30.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2022	31.12.2021
Non-current:		
· Financial assets measured at amortized cost	1,545	34,070
· Financial assets measured at FVOCI	5,378	6,624
· Financial assets measured at FVPL	320	439
	7,243	**41,133**
Current:		
· Financial assets measured at amortized cost	2,944	11,216
· Financial assets measured at FVOCI	4,707	4,714
· Financial assets measured at FVPL	–	–
	7,651	**15,930**
Total	**14,894**	**57,063**

The Group essentially holds financial assets at amortised cost mainly represented by financial receivables and financial assets valued at FVOCI, made up principally of investments in other companies.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature. During the course of the year, impairment losses of 2,797 thousand euros were recognized by the Parent Company in relation to the equity investments in Continuus Pharmaceuticals Inc. and Inkbit Llc.

At 31 December 2022 , the Group does not have any financial assets held for trading purposes.

Current and non-current financial assets valued at amortised cost at 31 December 2022 mainly refer to loans granted by the Parent Company and Packaging Manufacturing Industry to a number of associated companies for a total of 3,479 thousand euros (44,397 thousand euros at 31 December 2021, attributable mainly to the loan granted by IMA S.p.A. to IMA Dairy & Food Holding GmbH, a company consolidated during the current year).

Non-current financial assets measured at FVOCI include investments in other companies.

Current financial assets valued at FVOCI essentially include deposits of the subsidiary IMA-PG India Pvt. Ltd. for 4,629 thousand euros, classified in level 3 of the fair value hierarchy.

Movements in financial assets break down as follows:

in thousands of euros	2022	2021
Opening balance	57,063	77,923
Increases	3,730	4,247
Profit/(losses) recognized in OCI	(2,797)	2,001
Profit/(losses) recognized in PL	–	5,265
Decreases	(42,899)	(32,656)
Exchange rate difference	(203)	283
Closing balance	**14,894**	**57,063**

6. Receivables from others

This item mainly includes security deposits of various kinds, a receivable relating to commissions due in coming years on loan agreements and a contract stipulated by the Parent with Unipol Assicurazioni S.p.A. to set up a provision for a director's severance indemnity.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2022	Liabilities 31.12.2022	Assets 31.12.2021	Liabilities 31.12.2021
Interest rate hedging instruments - cash flow hedges	4,125	–	–	1,727
Exchange rate hedging instruments - cash flow hedges	880	709	239	1,026
Total	**5,005**	**709**	**239**	**2,753**

INTEREST RATE DERIVATIVES

At 31 December 2022 , the amount of 4,125 thousand euros in assets represents the fair value of the derivative contract to hedge the interest rate risk entered into by the Parent Company with a primary credit institution, with maturity in 2039, on a nominal value of 25.3 million euros and the fair value of other derivative contracts entered into by the Parent Company and Tissue Machinery Company S.p.A. on a total nominal value of 4.8 million euros.

EXCHANGE RATE DERIVATIVES

For the disclosure requirements of IFRS 7, it should be noted that as regards exchange rate derivatives, only forward contracts with 100% effectiveness are stipulated, as per the Group Policy. The other information requested is shown below.

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2022, the amounts of 880 thousand euros in assets and 709 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange risk hedging instruments amounts to 64.5 million US dollars, 18.0 million Chinese Yuan, 17.1 million Swiss Francs and 245.4 million Japanese Yen (54.7 million US dollars, 53.0 million Chinese Yuan, 10.6 million Swiss Francs and 306.7 million Japanese Yen at 31 December 2021).

All foreign currency derivatives at 31 December 2022 mature within 12 months.

8. Deferred tax assets and liabilities

At 31 December 2022 , the deferred tax assets of 71,514 thousand euros (62,662 thousand euros at 31 December 2021) mainly relates to a deferred tax asset recognised in 2012 on the step-up of the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions and the elimination of unrealized intercompany profits; deferred tax liabilities amount to 365,116 thousand euros (361,435 thousand euros at 31 December 2021) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2022	31.12.2021
Opening balance at the beginning of the year	(298,773)	(33,811)
Effect of mergers	–	(273,261)
Credited/(Charged) to PL	20,029	27,049
Credited/(Charged) to equity	(5,223)	(14,553)
Change in scope of consolidation	(10,265)	593
Exchange rate difference and other changes	630	(4,790)
Net amount at the end of the year	**(293,602)**	**(298,773)**

The item "Effect of mergers" refers to the tax effect of recognition of the intangible assets recognized during 2021 and commented on in Note 3 Intangible assets.

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortiza-tion	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.2021	26,213	8,958	(87,436)	896	3,270	14,288	(33,811)
Effect of mergers	–	–	(273,261)	–	–	–	(273,261)
Effect on PL	1,674	(2,325)	27,945	–	–	(245)	27,049
Effect on equity	–	–	–	(321)	(748)	(13,484)	(14,553)
Change in scope of consolidation	192	373	–	–	28	–	593
Exchange rate difference and other changes	186	187	(2,746)	(1)	23	(2,439)	(4,790)
Balances at 31.12.2021	**28,265**	**7,193**	**(335,498)**	**574**	**2,573**	**(1,880)**	**(298,773)**
Effect on PL	(1,392)	(1,979)	24,079	–	–	(679)	20,029
Effect on equity	–	–	–	(1,510)	(3,713)	–	(5,223)
Change in scope of consolidation	1,500	8,393	(24,816)	–	1,251	3,407	(10,265)
Exchange rate difference and other changes	80	(1)	(3,886)	2	(10)	4,445	630
Balances at 31.12.2022	**28,453**	**13,606**	**(340,121)**	**(934)**	**101**	**5,293**	**(293,602)**

"Other" mainly includes deferred tax assets relating to the "step-up" of assets in 2012 and the elimination of unrealized intra-group profits, as well as the deferred taxes associated with the non-interest bearing loan reserve generated in 2021 following the discounting of the loan to Sofima PIK S.p.A.

On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

It should also be noted that, at the balance sheet date, the amount of unused tax losses for which deferred tax assets have not been recognized is equal to 25,972 thousand euros (6,767 thousand euros at 31 December 2021), mainly referable to the Dairy & Food companies.

9. Inventories

Below is a breakdown:

	31.12.2022			31.12.2021		
in thousands of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	148,940	(24,915)	124,025	105,087	(16,755)	88,332
Work in progress and semifinished goods	349,133	(47,444)	301,689	314,411	(47,725)	266,686
Finished products and goods for resale	20,760	(4,699)	16,061	18,125	(4,278)	13,847
Total	**518,833**	**(77,058)**	**441,775**	**437,623**	**(68,758)**	**368,865**

At 31 December 2022 the inventories attributable to the newly acquired Dairy & Food business amounted to 27,904 thousand euros.

The increase in inventories since 31 December 2021 mainly reflects the size of the backlog at the end of the year.

Movements in these provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2021	**55,471**
Net provisions (uses)	11,862
Change in scope of consolidation	713
Exchange rate difference	712
Balances at 31.12.2021	**68,758**
Net provisions (uses)	(5,270)
Change in scope of consolidation	13,297
Exchange rate difference	273
Balances at 31.12.2022	**77,058**

The decrease in the impairment allowance during the year essentially reflects the uses made of it by the Parent Company and some Group companies after scrapping obsolete assets.

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet mainly as a result of inventories attributable to business combinations, commented in Note 29.

10. Trade and other receivables and contract assets

TRADE AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2022	31.12.2021
Trade receivables	299,902	197,362
Advances to suppliers	32,651	24,275
Tax receivables	15,248	15,213
Deferred costs	11,912	11,106
Other receivables	7,204	9,351
Total	**366,917**	**257,307**

TRADE RECEIVABLES

Trade receivables include customer receivables of 275,912 thousand euros (185,117 thousand euros at 31 December 2021) and trade receivables from associates of 23,990 thousand euros (12,245 thousand euros at 31 December 2021).

At 31 December 2022 , the amount of trade receivables attributable to the Dairy & Food business combination amounted to 29,427 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,298 thousand euros (17,005 thousand euros at 31 December 2021).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2022	2021
Opening balance	**17,005**	**18,724**
Effect on PL	632	1,590
Uses	(1,839)	(3,516)
Change in scope of consolidation	2,436	52
Exchange rate difference and other	64	155
Closing balance	**18,298**	**17,005**

Customer receivables falling due beyond 12 months amounted to 1,008 thousand euros (3,654 thousand euros at 31 December 2021).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	> 12 months	Total
31.12.2022				
Gross trade receivables	200,781	73,427	20,002	294,210
Bad debt provision	(916)	(3,076)	(14,306)	(18,298)
Net trade receivables	**199,865**	**70,351**	**5,696**	**275,912**
31.12.2021				
Gross trade receivables	130,155	46,685	25,282	202,122
Bad debt provision	(1,643)	(1,653)	(13,709)	(17,005)
Net trade receivables	**128,512**	**45,032**	**11,573**	**185,117**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient.

In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group.

The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2022 these relate to advances paid to suppliers for goods destined to production of 23,413 thousand euros (16,164 thousand euros at 31 December 2021) and services of 9,238 thousand euros (8,111 thousand euros at 31 December 2021).

This item also includes advances to associates of 3,117 thousand euros (3,796 thousand euros at 31 December 2021).

TAX RECEIVABLES

Tax receivables mainly consist of VAT credits.

CONTRACT ASSETS

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2022	31.12.2021
Contract assets related to contract works	863,452	570,940
Advances received	(478,332)	(324,151)
Total	**385,120**	**246,789**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2022 amounted to 1,066,238 thousand euros (856,986 thousand euros in 2021).

The net increase in trade and other receivables and contractual assets reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations, commented in Note 29.

11. Income tax receivables and payables

At 31 December 2022 income tax receivables and payables amount to 7,143 thousand euros and 10,349 thousand euros (21,370 thousand euros and 9,856 thousand euros respectively at 31 December 2021).

The following companies form part of the domestic tax group for 2022 with SOFIMA as the consolidating company and Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l. and Tissue Machinery Company S.p.A. as the consolidated companies.

There is also a tax consolidation agreement between the American parent company Packaging Systems Holdings Inc. and the subsidiaries Delta Systems & Automation Llc, IMA Automation USA Inc., IMA Life North America Inc., IMA North America Inc. and Thomas Llc.

At 31 December 2022, the amounts owed to SOFIMA come to 1,969 thousand euros (receivables for 15,398 thousand euros at 31 December 2021).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2022	31.12.2021
Bank current accounts	195,517	225,466
Deposits	8,703	5,853
Cheques and cash	466	408
Total	**204,686**	**231,727**

Starting in 2021, a programme to concentrate the cash of some Italian subsidiaries in a master account held by IMA S.p.A. was implemented using the zero balance method, a programme that was extended to a number of foreign subsidiaries during the current year. The same cash management model was used between IMA Life North America Inc.

and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

For a better understanding of the trend in net financial debt, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

<u>*SHARE CAPITAL, SHARE PREMIUM RESERVE AND TREASURY SHARES*</u>

The share capital at 31 December 2022, equal to 22,471 thousand euros, represents the share capital of IMA S.p.A. (fully subscribed and paid up) consisting of 43,105,509 ordinary shares with no par value:

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2021	43,106	22,471	122,818	(5,589)
Capital increases	–	–	–	–
Cancellation of treasury shares	–	–	(5,589)	5,589
Balance at 31.12.2021	**43,106**	**22,471**	**117,229**	**–**
Capital increases	–	–	–	–
Cancellation of treasury shares	–	–	–	–
Balance at 31.12.2022	**43,106**	**22,471**	**117,229**	**–**

At 31 December 2022 IMA S.p.A. does not have treasury shares.

<u>*FAIR VALUE RESERVE*</u>

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2021	**(6,075)**
Financial assets at FVOCI	
Measurement at fair value	2,001
Realization recognized in financial income and expense	(4,989)
Fair value - tax effect	717
Cash flow hedges/Hedging instruments	
Measurement at fair value	190
Fair value - tax effect	(46)
Realization recognized in revenue from contracts with customer	101
Realization recognized in costs	(320)
Realization recognized in financial income and expense	4,355
Tax effect - realization recognized in PL	(992)
Balance at 31.12.2021	**(5,058)**

Balance at 31.12.2021	**(5,058)**
Financial assets at FVOCI	
Measurement at fair value	(2,797)
Cash flow hedges/Hedging instruments	
Measurement at fair value	5,664
Fair value - tax effect	(1,359)
Realization recognized in revenue from contracts with customer	1,668
Realization recognized in costs	(307)
Realization recognized in financial income and expense	(732)
Tax effect - realization recognized in PL	(151)
Balance at 31.12.2022	**(3,072)**

At 31 December 2022, the movement in cash flow hedges mainly relates to the effective component of interest rate swaps.

OTHER RESERVES AND RETAINED EARNINGS

The changes during the period principally reflect the allocation to reserves of the previous year's profit.

Other reserves and retained earnings include an amount of 1,422,691 thousand euros attributable to the mergers and the payment by Sofima PIK S.p.A. in 2021. For further information, please refer to the 2021 Annual Report.

Lastly, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2021	**(12,148)**
Change in scope of consolidation	(92)
Actuarial value	4,867
Tax effect	(762)
Exchange rate difference and other changes	(372)
Balance at 31.12.2021	**(8,507)**
Change in scope of consolidation	(3,093)
Actuarial value	14,441
Tax effect	(3,705)
Exchange rate difference and other changes	(90)
Balance at 31.12.2022	**(954)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentina is considered a country operating in a situation of hyperinflation, as commented in the section entitled "Translation of foreign currency balances".

In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the balance sheet of IMA MAI S.A.U. and Tecmar S.A. have been remeasured by applying the general consumer price index of historical data.

In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2021 is shown as a contra-entry to equity reserves for 6,145 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2022 was recognized under financial charges for 1,723 thousand euros.

14. Non-controlling interests

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling interests are indicated below:

		31 December 2022		31 December 2021	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Digidoc S.r.l.	Italy	80%	20%	80%	20%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Dairy & Food Asia Pacific Sdn Bhd	Malaysia	80%	20%	–	–
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Petroncini Impianti Sp.A.	Italy	80%	20%	80%	20%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	–	–	80%	20%
Pharmasiena Service Sr.l.	Italy	97%	3%	97%	3%
Teknoweb Converting Sr.l.	Italy	80%	20%	80%	20%
Teknoweb N.A. Llc	USA	–	–	60%	40%
Tekno NA Inc.	USA	–	–	80%	20%

For further information, see the list of equity investments provided in section H of the notes and the section entitled "Group Structure".

At 31 December 2022, minority interests amount to 17,075 thousand euros (17,938 thousand at 31 December 2021) and relate mainly at Teknoweb Converting S.p.A.

9 May 2022 saw the closing of the sale to third parties, by Teknoweb Converting S.r.l. of the 100% interest in Tekno NA Inc., the company that owned 75% of Teknoweb NA Llc., for 846 thousand US dollars, generating a capital gain of 184 thousand euros.

The IMA Group does not have any subsidiaries with significant minority interests at 31 December 2022.

15. Borrowings and lease liabilities

BORROWINGS

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 107,098 thousand euros (58,943 thousand euros at 31 December 2021), bonds of 1,263,937 thousand euros (1,256,591 thousand euros at 31 December 2021) and amounts due to other lenders of 223,706 thousand euros (216,331 thousand euros at 31 December 2021).

At 31 December 2022 , the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

Payables to banks

Payables to banks break down as follows:

in thousands of euros	31.12.2022	31.12.2021
Non-current:		
· Applied research and technological innovation loans	3,159	4,121
· Other loans	4,597	4,241
	7,756	**8,362**
Current:		
· Current accounts	595	205
· Advances on export transactions	95,530	45,900
· Applied research and technological innovation loans	963	955
· Other loans	2,254	3,521
	99,342	**50,581**
Total	**107,098**	**58,943**

The main change in this item refers to the Parent Company and relates to the increase in export advances.

Payables to banks are analysed by maturity as follows:

in thousands of euros	31.12.2022	31.12.2021
Due within 1 year	99,342	50,581
Due from 1 to 5 years	7,060	7,274
Due beyond 5 years	696	1,088
Total	**107,098**	**58,943**

Applied research and technological innovation loans and other loans are analysed below by currency:

in thousands of euros	31.12.2022	31.12.2021
Euro	10,460	10,571
US dollar	–	–
Other	513	2,267
Total	**10,973**	**12,838**

Mortgages have been granted on the properties in Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans for 1,081 thousand euros and 1,750 thousand euros respectively.

Interest rates on financial payables are less than 5% on average.

At 31 December 2022 the Group had around 465 million euros of unutilised borrowing facilities (around 520 million euros at 31 December 2021).

The following were signed as part of the acquisition by the Funds assisted by BC Partners LLP, which took place in 2020:

- a super senior revolving contract, under which the lending banks undertook to make loans available to IMA for a total of 150.0 million euros to finance the general cash needs of the Group;
- a super senior guarantee facility contract, under which the lending banks undertook to make available to IMA a credit line of 250.0 million euros for bank guarantees in favour of IMA and its subsidiaries.

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans, including the bond, as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables of around 124 million euros.

BONDS

On 29 December 2020, Sofima Holding S.p.A., a company absorbed through a reverse merger by IMA S.p.A., with effect for accounting purposes from 1 January 2021, issued a guaranteed senior bond loan, consisting of bonds at a floating rate for 450 million euros maturing in 2028 and bonds at a fixed rate for 830 million euros maturing in 2028, for a total amount of principal of 1,280 million euros (the Bonds). These Bonds, offered exclusively to qualified investors, are governed by the law of the state of New York, listed on the Official List of the Luxembourg Stock Exchange and admitted to the Euro MTF Market. Interest on the variable-rate portion is based on the 3-month Euribor (subject to a floor of 0.0%) plus an annual margin of 4%, to be paid quarterly, while on the fixed-rate portion it is set at 3.75% per annum, to be paid every six months. The issue, which took place on 29 December 2020, was carried out at a price equal to 99.75% of the nominal value for the variable-rate portion and 100% of the nominal value for the fixed-rate portion. The Bonds are backed by guarantees, including the pledge on the shares representing 100% of the capital of IMA S.p.A.

At 31 December 2022 bonds have a balance of 1,263,937 thousand euros and a nominal redemption value of 1,280,000 thousand euros.

Bonds are made up of:

in thousands of euros	31.12.2022	31.12.2021
Non-current portion	1,250,926	1,244,627
Current portion	13,011	11,964
Total book value	**1,263,937**	**1,256,591**

PAYABLES TO OTHER LENDERS

The item includes non-interest bearing payables to the parent Sofima PIK for 223,120 thousand euros (215.940 thousand at 31 December 2021) and payables to others for 586 thousand euros (391 thousand at 31 December 2021).

The total amount of financial payables due to Sofima PIK S.p.A. includes the discounted residual debt of 194,470 thousand euros, maturing in 2028, for the sale of 3,529,412 shares in IMA S.p.A. to Sofima Holding S.p.A. at the price of 68 euros per share, which took place in 2020, and the residual loan of 28,650 thousand euros to Sofima Holding S.p.A., the company absorbed through a reverse merger by IMA S.p.A., with effect for accounting purposes from 1 January 2021.

LEASE LIABILITIES

The item breaks down as follows:

in thousands of euros	31.12.2022	31.12.2021
Non-current lease liabilities	178,521	172,482
Current lease liabilities	28,140	25,529
Total	**206,661**	**198,011**

Lease liabilities are analysed by maturity as follows:

in thousands of euros	31.12.2022	31.12.2021
Due within 1 year	28,140	25,529
Due from 1 to 5 years	115,217	83,657
Due beyond 5 years	63,304	88,825
Total	**206,661**	**198,011**

Lease liabilities essentially include property leases.

CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The changes that affected the main liabilities deriving from financing activities are as follows:

in thousands of euros	Applied research loans	Other loans	Lease liabilities	Bonds	Total
Balances at 01.01.2021	**4,590**	**376,101**	**182,718**	**147,255**	**710,664**
Effect of mergers	–	268,917	–	1,234,574	1,503,491
Change in scope of consolidation	–	1,376	6,695	–	8,071
Granting	2,158	5,772	–	–	7,930
Repayment	(1,672)	(376,778)	(24,071)	(145,687)	(548,208)
Other changes	–	(51,686)	32,669	20,449	1,432
Balances at 31.12.2021	**5,076**	**223,702**	**198,011**	**1,256,591**	**1,683,380**
Change in scope of consolidation	–	2,037	5,237	–	7,274
Granting	–	2,319	–	–	2,319
Repayment	(954)	(5,279)	(28,339)	–	(34,572)
Other changes	–	7,192	31,752	7,346	46,290
Balances at 31.12.2022	**4,122**	**229,971**	**206,661**	**1,263,937**	**1,704,691**

The other changes in borrowings include the discounting of the financial debt to Sofima PIK S.p.A.

The other net changes in liabilities for leased assets mainly reflect the opening of new lease contracts, net of early contract terminations.

Increase or (decrease) in other financial payables in the cash flow statement mainly include the change in export advances.

NET FINANCIAL DEBT

Net financial debt, an alternative performance indicator, is broken down as follows:

in thousands of euros	31.12.2022	31.12.2021
A. Cash and cash equivalents	(204,686)	(231,727)
B. Current financial assets measured at amortized cost	(2,944)	(11,216)
C. Current financial assets measured at FVOCI	(4,707)	(4,714)
D. Total current financial assets and cash equivalents (A) + (B) + (C)	**(212,337)**	**(247,657)**
E. Current payables to banks	99,342	50,581
F. Current portion of bonds	13,011	11,964
G. Current lease liabilities	28,140	25,529
H. Current payables to other lenders	335	188
I. Current financial debt (E) + (F) + (G) + (H)	**140,828**	**88,262**
J Net current financial debt (D) + (I)	**(71,509)**	**(159,395)**
K. Non-current payables to banks	7,756	8,362
L. Non-current portion of bonds	1,250,926	1,244,627
M. Non-current lease liabilities	178,521	172,482
N. Non-current payables to other lenders	223,371	216,143
O. Non-current financial assets measured at amortized cost	(1,545)	(34,070)
P. Net non-current financial debt (K) + (L) + (M) + (N) + (O)	**1,659,029**	**1,607,544**
Q. Net financial debt (J) + (P)	**1,587,520**	**1,448,149**

Total non-current financial assets differs from that reported in the statement of financial position as it does not include equity interests in other companies for 5,698 thousand euros. For further information on the breakdown of the items in net financial debt, see Notes 5 and 12.

The Group has payables in respect of acquisitions totalling 96,026 thousand euros (123,241 thousand euros at 31 December 2021), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. For further information please read the section entitled Fair Value in Financial Risk Management.

Net financial debt at the end of the period amounts to 1,587,520 thousand euros compared with 1,448,149 thousand euros at 31 December 2021. The increase derives mainly from the payment relating to the acquisition of minority stakes in ATOP S.p.A. and Teknoweb Converting S.r.l. for a total of 53,021 thousand euros and the acquisition of 34.9% of IMA Dairy & Food Holding GmbH for 73,705 thousand euros including its debt.

16. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the severance indemnity provisions made by the Group's Italian companies and the liabilities for defined benefits of the companies in the Dairy & Food business.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2021	**42,840**
Service cost	780
Financial charges	108
Net actuarial losses (gains) recognized during the year	(4,893)
Change in scope of consolidation	527
Benefit paid out during the year	(3,067)
Exchange rate difference and other changes	285
Balance at 31.12.2021	**36,580**
Service cost	1,363
Financial charges	281
Net actuarial losses (gains) recognized during the year	(14,522)
Change in scope of consolidation	25,580
Benefit paid out during the year	(3,612)
Exchange rate difference and other changes	204
Balance at 31.12.2022	**45,874**

The Net actuarial losses (gains) recognized in the period mainly reflect the general increase in the annual discount rate.

The change in the scope of consolidation includes defined benefit plans of the newly acquired companies in the Dairy & Food business.

The employee defined benefit liabilities are analysed below by geographical area:

in thousands of euros	31.12.2022	31.12.2021
Italy	20,794	24,185
Germany	20,815	5,735
Switzerland	505	4,447
France	2,216	462
North America	983	948
Other countries	561	803
Total	**45,874**	**36,580**

The following economic-financial assumptions were adopted in relation to the Italian companies:

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancy: as determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

At 31 December 2022, the newly acquired companies of the Dairy & Food business showed the following balances:

in thousands of euros	Country	31.12.2022	Date of acquisition
Erca S.A.S.	France	1,715	1,905
GASTI Verpackungsmaschinen GmbH	Germany	466	604
Hassia Verpackungsmaschinen GmbH	Germany	3,751	5,674
IMA Dairy & Food Holding GmbH	Germany	11,652	17,397
Total		**17,584**	**25,580**

	31.12.2022	Data of acquisition
Annual discount rate	3.30%	0.80%
Annual rate of increase of total compensation	2.5-2.7%	2.4-2.5%
Annual rate of increase of pension fund	1.00%	1.00%

The following economic-financial assumptions were adopted in relation to the companies listed above:

The discount rate applicable was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The demographic assumptions applied to the Dairy & Food companies derive from country-specific demographic tables.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; sensitivity analyses have therefore been performed for the Italian companies with respect to

	31.12.2022	31.12.2021
Annual discount rate	3.36%	0.81%
Annual inflation rate	5.9% in 2023, 2.3% in 2024 and 2.0% from 2025	1.20%
Annual rate of increase of total compensation	6.9% in 2023, 3.3% in 2024 and 3.0% from 2025	2.50%
Annual rate of increase of severance indemnity	5.9% in 2023, 3.2% in 2024 and 3.0% form 2025	2.40%

their provisions for severance indemnities at 31 December 2022 of 20,715 thousand euros and for the companies of the Dairy & Food business with respect to their pension funds of 17,584 thousand euros.

The results are summarized in the following table:

in thousands of euros	Annual discount rate +0.50%	Annual discount rate -0.50%	Annual inflation rate +0.25%	Annual inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -2.00%
Provision for severance indemnities italian companies	19.914	21.573	20.932	20.503	20.717	20.723

in thousands of euros	Annual discount rate +0.25%	Annual discount rate -0.25%	nsion funds increas +0.25%	nsion funds increas -0.25%	Life expectancy + 1 year	Life expectancy - 1 year
Pension funds Dairy & Food com|	17.047	18.146	18.018	17.167	18.108	17.052

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

in thousands of euros	2022	2021
Within 1 year	2.030	1.391
From 1 to 5 years	5.719	5.201
From 5 to 10 years	10.611	10.168
Total expected payments italian companies	**18.360**	**16.760**
Within 1 year	780	689
From 1 to 5 years	3.654	3.462
From 5 to 10 years	5.719	5.765
Total expected payments Dairy & Food companies	**10.153**	**9.916**

17. Provisions for risks and charges

These provisions are analysed as follows:

in thousands of euros	Balance at 31.12.2021	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2022
Non-current:						
Agency termination indemnities	3,012	182	(613)	1,311	–	3,892
Other provisions	1,177	248	(81)	40	(46)	1,338
	4,189	**430**	**(694)**	**1,351**	**(46)**	**5,230**
Current:						
Product guarantee provision	38,389	5,942	(8,729)	4,340	297	40,239
Other provisions	2,253	714	(2,249)	2,426	10	3,154
	40,642	**6,656**	**(10,978)**	**6,766**	**307**	**43,393**
Total	**44,831**	**7,086**	**(11,672)**	**8,117**	**261**	**48,623**

The change in the scope of consolidation refers to the companies in the Dairy & Food business.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2022, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

Other provisions are made up of provisions for risks and charges to cover the severance indemnity of the director of the parent and any liabilities that might arise from contractual obligations, tax payables and legal disputes; Group companies used experienced consultants to quantify the provisions.

18. Trade and other payables and contract liabilities

TRADE AND OTHER PAYABLES

This item is analysed as follows:

in thousands of euros	31.12.2022	31.12.2021
Trade payables	535,487	435,283
Social security and defined-contribution plan payables	18,631	17,266
Tax payables	15,561	13,964
Due to employees	94,252	79,535
Payables in respect of acquisitions	96,026	123,241
Deposits	4,660	3,502
Other payables	6,444	7,371
Total	**771,061**	**680,162**

TRADE PAYABLES

These include trade payables to suppliers of 413,466 thousand euros (336,642 thousand euros at 31 December 2021), payables to agents of 18,204 thousand euros (15,003 thousand euros at 31 December 2021) and trade payables to associates of 103,817 thousand euros (83,638 thousand euros at 31 December 2021). Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

TAX PAYABLES

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

DUE TO EMPLOYEES

This item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. It includes 3,765 thousand euros classified among the non-current liabilities (231 thousand euros at 31 December 2021).

PAYABLES IN RESPECT OF ACQUISITIONS

At 31 December 2022 the item includes payables for the purchase of equity investments relating to the acquisitions made during the year and in previous years.

The total amount of payables for acquisitions of 96,026 thousand euros (123,241 thousand at 31 December 2021) includes 78,541 thousand euros classified as non-current liabilities (66.811 thousand at 31 December 2021), falling due for 70,874 thousand euros between 1 and 5 years and for 7,667 thousand euros beyond 5 years.

As regards the fair value hierarchy of payables represented by potential payments connected with the purchase of minority interests in subsidiaries, please refer to the fair value section of Financial risk management.

CONTRACT LIABILITIES

The item breaks down as follow:

in thousands of euros	31.12.2022	31.12.2021
Advances received from customer	234,913	164,032
Contract liabilities related to contract works	31,876	42,656
Total	**266,789**	**206,688**

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2022	31.12.2021
Advances received	129,505	158,601
Contract assets related to contract works	(97,629)	(115,945)
Total	**31,876**	**42,656**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

The net increase in trade and other payables and contractual liabilities reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet mainly as a result of the amounts due for acquisitions paid during the year and the effect of the business combination, as commented on in Note 29.

19. Other revenue and capitalized costs

The item Other revenue breaks down as follows:

in thousands of euros	2022	2021	Change
Capital gains on disposal of non-current assets	493	643	(150)
Out-of-period income	5,243	2,959	2,284
Other revenue and income	9,678	9,208	470
Total	**15,414**	**12,810**	**2,604**

Capitalized costs of 37,566 thousand euros relate to increases in non-current assets for internal work and refer for 32,495 thousand euros to development costs and new technologies (29,010 thousand euros in 2021) and for 5,071 thousand euros to equipment and machinery (10,017 thousand euros in 2021).

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124, 4 AUGUST 2017

In compliance with the transparency and disclosure requirements contained in Law 124 of 4 August 2017, article 1 paragraphs 125-129 (replaced by article 35 of Decree Law 34 of 30 April 2019) which imposed on companies the obligation to indicate in the notes "the amounts and information on grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation, actually disbursed by public administrations", in 2022 the Group benefited from:

- Training plans financed by Fondirigenti and Fondimpresa for 183 thousand euros;
- Tax credits introduced by various regulatory provisions in relation to electricity and natural gas expenses incurred during 2022. Tax credits amount to a total of 496 thousand euros;
- Support for the shortage of workers due to sickness by the Bilateral Metalworking Body “EBM” for 1 thousand euros;
- GSE grant (the so-called “incentive rate” for electricity) of 20 thousand euros.

During 2022, the Group benefited from State aid and de minimis aid contained in the National Register of State Aid referred to in article 52 of Law 234 f 24 December 2012, for which reference is made to the following website

https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx.

The main types are the following:

- Law no. 232 of 11 December 2016 (Official Gazette General Series no. 297 of 21 December 2016 - Ordinary Supplement no. 57);
- Tender for the promotion of investment projects in implementation of article 6 of the Emilia-Romagna Regional Law no. 14/2014;
- aid for the employment of workers with disabilities and pertaining to vulnerable groups;

- exemption from payment of social contributions for permanent new hires and the transformation of fixed-term contracts into permanent contracts pursuant to art. 1 Law 178/2020.

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

This item breaks down as follows:

in thousands of euros	2022	2021	Change
Raw materials and semifinished goods	717,597	563,377	154,220
Consumables and ancillary materials	29,351	24,297	5,054
Marketable goods	50,001	39,463	10,538
Other purchases	7,316	4,932	2,384
Total	**804,265**	**632,069**	**172,196**

The cost of raw, ancillary and consumable materials and goods attributable to the companies acquired in 2022 amounted to 41,981 thousand euros.

The item includes non-recurring charges for 265 thousand euros (613 thousand euros in 2021) as commented on in Note 33.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2022	2021	Change
Outsourced work and fitting	105,338	92,412	12,926
Maintenance and repair	16,222	15,578	644
Energy, telephone, gas, water and postal charges	28,064	20,371	7,693
Commissions	19,017	17,924	1,093
Technical, legal, tax and administrative consulting services	90,520	91,734	(1,214)
Advertising and promotions	5,588	3,846	1,742
Exhibitions	6,986	2,983	4,003
Travel	31,653	19,295	12,358
Insurance	6,042	4,827	1,215
Transport	32,795	26,588	6,207
Bank charges	1,815	2,499	(684)
Rental fees	7,479	6,423	1,056
Short-term or low-value lease fees	5,152	3,918	1,234
Other services	25,155	20,567	4,588
Total	**381,826**	**328,965**	**52,861**

Rental fees mainly refer to intangible assets.

Costs for services, rentals and leases attributable to the companies acquired during 2022 come to a total 18,739 thousand euros.

The item includes non-recurring charges for 3,883 thousand euros (12,634 thousand euros in 2021) as commented on in Note 33.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2022	2021	Change
Wages and salaries	394,733	336,283	58,450
Social security contributions	96,117	81,422	14,695
Board of Directors' emoluments	5,924	6,845	(921)
Pensions - defined-benefit plans	1,587	774	813
Pensions - defined-contribution plans	18,035	16,576	1,459
Other personnel costs	25,601	21,887	3,714
Total	**541,997**	**463,787**	**78,210**

Personnel costs attributable to companies in the Dairy & Food business, not included in the scope of consolidation in 2021, amount to 46,521 thousand euros.

The item includes non-recurring charges for 425 thousand euros (517 thousand euros in 2021) as commented on in Note 33.

The change in the cost of labour compared with the previous year is characterised by a general increase given by more travel and overtime. The normal salary revisions given by the Collective Agreements and by the Company Compensation Policy were generally applied.

The IMA Group employed 6,851 people on average during 2022, as analysed below:

	2022	2021	Change
Managers	377	342	35
Office workers	4,375	3,922	453
Production workers	2,099	1,943	156
Total	**6,851**	**6,207**	**644**

At 31 December 2022 the Group had 6,901 employees (6,248 at 31 December 2021), of which 557 attributable to companies in the Dairy & Food business.

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2022	2021	Change
Depreciation of property, plant and equipment	21,903	16,555	5,348
Depreciation of right of use assets	35,076	30,527	4,549
Amortization of intangible assets	106,102	96,606	9,496
Write-downs/impairment	265	–	265
Bad debt provision	632	1,590	(958)
Total	**163,978**	**145,278**	**18,700**

The depreciation and amortisation attributable to the newly acquired Dairy & Food business amount to 9,056 thousand euros.

24. Other operating costs

in thousands of euros	2022	2021	Change
Capital losses on disposal of non-current assets	130	272	(142)
Property tax and other taxes	4,282	5,397	(1,115)
Out-of-period expenses	3,442	2,769	673
Membership fees	726	558	168
Penalties and charges on sales	232	111	121
Sundry promotional materials	267	197	70
Other operating expenses	3,537	3,386	151
Total	**12,616**	**12,690**	**(74)**

Other operating costs comprise:

25. Financial income

This item breaks down as follows:

in thousands of euros	2022	2021	Change
Fair value remeasurement of the interest held in IMA Dairy & Food GmbH	17,337	–	17,337
Income from investments and financial assets	7,032	5,627	1,405
Interest income from banks	1,325	828	497
Interest income from associates	41	1,064	(1,023)
Interest income on amounts due from customers	167	904	(737)
Income from derivative financial instruments	3,867	575	3,292
Change in fair value for contingent considerations	10,786	4,397	6,389
Other interest and financial income	560	399	161
Exchange rate gains	29,953	21,553	8,400
Total	**71,068**	**35,347**	**35,721**

As regards the income that came from remeasurement at fair value of the interest in IMA Dairy & Food Holding GmbH, reference should be made to what was said in Note 29 Business combinations.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2022	2021	Change
Interest expense on bank payables	1,897	3,034	(1,137)
Interest expense on bonds	56,821	57,021	(200)
Interest expense on lease liabilities	5,935	5,279	656
Net financial expense on defined-benefit plans	615	316	299
Various interest expense	665	478	187
Discounting of loans from parent companies	7,180	3,523	3,657
Dividends paid to non-controlling interests	3,896	5,200	(1,304)
Bank guarantee expenses	2,014	2,067	(53)
Expense from derivative financial instruments	5,657	5,595	62
Net expense from hyperinflation	1,723	740	983
Change in fair value for contingent considerations	6,929	11,028	(4,099)
Other financial expense	4,659	11,755	(7,096)
Exchange rate losses	25,916	18,130	7,786
Total	**123,907**	**124,166**	**(259)**

Interest expense on bonds mainly includes charges pertaining to the year payable by the Parent Company in relation to the bond loan commented on in Note 15.

Discounting loans from parents includes the notional interest on the financial debt owed to Sofima PIK S.p.A.

The charges on derivative financial instruments and other financial charges mainly refer to repayments of loans and bonds.

At 31 December 2022, exchange gains and losses included an unrealized gain of 6,240 thousand euros and an unrealized loss of 8,355 thousand euros (8,735 thousand euros and 7,984 thousand euros, respectively, in the previous year).

27. Taxes

This item is analysed as follows:

in thousands of euros	2022	2021	Change
Taxes for the period:			
Current taxes	46,610	31,621	14,989
Net deferred tax assets and liabilities	(20,029)	(27,049)	7,020
	26,581	**4,572**	**22,009**
Prior year taxes	(4,316)	4,811	(9,127)
Total	**22,265**	**9,383**	**12,882**

CURRENT TAXES

In December 2021, as the merging company of GIMA TT S.p.A., IMA S.p.A. signed the preventive agreement with the Tax Authorities for use of the "Patent Box" tax relief for the five-year period 2016-2020. The optional Patent Box tax regime gives tax relief for five years to companies that generate income through the direct and indirect use of patents, software, designs and models, and know-how. Note that GIMA TT S.p.A., which originally exercised the five-year option, was absorbed by the Company in 2019.

The total tax benefit for the years 2016-2020 comes to 18.6 million euros, all reflected in the result for the years 2021 and 2022.

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

in thousands of euros	2022	2021
Profit before taxes	**130,282**	**65,477**
Taxes determined on the theoretical tax rate	**30,077**	**15,224**
Effect of income not subject to tax	(9,318)	(14,081)
Effect of non-deductible costs	6,882	7,996
IRAP	5,835	3,093
Tax step-up (Decree Law 104/2020)	–	1,015
Other changes	(6,895)	(3,660)
Prior year taxes	(4,316)	(204)
Total	**22,265**	**9,383**

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

The following companies form part of the domestic tax group for 2022 with SOFIMA as the consolidating company and Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l. and Tissue Machinery Company S.p.A. as the consolidated companies.

There is also a tax consolidation agreement between the American parent company Packaging Systems Holdings Inc. and the subsidiaries Delta Systems & Automation Llc, IMA Automation USA Inc., IMA Life North America Inc., IMA North America Inc. and Thomas Llc.

28. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2022	2021
Profit for the year (thousands of euros)	106,639	55,860
Average number of outstanding ordinary shares (thousands of shares)	43,106	43,106
Earning per share (in euros)	**2.47**	**1.30**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. Business combinations

During the course of 2022 IMA S.p.A. completed the purchase of a 34.9% stake in IMA Dairy & Food Holding GmbH, of which it already held 40%. Put and call option contracts were also signed for the remaining 25.1%, the percentage attributable to the Group is 100%.

The German company controls Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Erca SAS, INTECMA SA, CDE-Packaging GmbH, IMA Dairy & Food USA Inc., IMA Dairy & Food UK Ltd., IMA Dairy & Food Spain and Portugal SA, IMA Dairy and Food Russia OOO and IMA Dairy & Food Asia Pacific Sdn Bhd.

The Group is a leader in the design, production and marketing of machines, lines and systems for the packaging of products for the food industry and, in particular, the dairy sector with production plants in Germany, France and Spain.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Fair value
Property, plant and equipment	12,640
Right of use assets	5,566
Intangible assets	76,213
Deferred tax assets	14,694
Inventories	28,625
Trade receivables and other assets	29,789
Cash and cash equivalents	13,647
Borrowings	(42,238)
Lease liabilities	(5,237)
Employee defined benefit liabilities	(25,580)
Deferred tax liabilities	(24,959)
Trade payables and other liabilities	(61,844)
Total	**21,316**
Fair value of investment previously held	21,897
Minority	(63)
Cost of acquisition made in 2022	63,647
Goodwill	**64,165**

The fair value of the assets and liabilities was determined recognizing in particular: (i) non-patented technologies classified as development costs for 27,861 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 23,771 thousand euros and 22,513 thousand euros respectively; (iii) capital gains allocated to the plants of Hassia Verpackungsmaschinen GmbH and Erca S.A.S. under the item Land and Buildings for 8,563 thousand euros; (iv) deferred tax liabilities for 24,579 thousand euros.

The cost of the acquisition includes 33,500 thousand euros for the purchase of 34.9% of IMA Dairy & Food Holding GmbH and the potential consideration, equal to 30,147 thousand euros, relating to the fair value of the options subscribed for the purchase of the residual 25.1% of the company, discounted using the yield on government bonds with the same duration.

As required by IFRS 3, if a business combination is achieved in stages, the interest held previously is remeasured at fair value at the date of acquisition of control and the difference between it and the value of the investment held previously is recognized in the income statement; the income relating to the acquisition of IMA Dairy & Food Holding GmbH determined in this way was equal to 17,337 thousand euros.

At 31 December 2022 the newly acquired companies, consolidated for 12 months, generated revenue of 129,822 thousand euros and an operating profit of 2,757 thousand euros, including personnel costs of 46,521 thousand euros.

537 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2022 the amount of the purchase price that had been paid, net of the cash acquired, came to 17,853 thousand euros.

30. Guarantees granted

At 31 December 2022, the Group provided sureties and other bank guarantees to customers for 43,930 thousand euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 6,258 thousand euros and guarantees in favour of others for 5,216 thousand euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2022	31.12.2021
Subsidiaries:		
Asset Management Service S.r.l.	–	1,600
ATOP S.p.A.	22,789	24,531
Benhil GmbH	7,518	9,157
Ciemme S.r.l.	1,175	1,000
CO.MA.DI.S S.p.A.	199	–
Erca S.A.S	863	–
Eurosicma S.p.A.	3,479	2,044
FASP S.r.l.	–	1,070
GASTI Verpackungsmaschinen GmbH	1,197	–
Hassia Verpackungsmaschinen GmbH	1,224	–
Ilapak Inc.	–	883
Ilapak International SA	1,531	8,230
Ilapak Italia S.p.A.	1,264	3,430
Ilapak Sp. Z o.o.	33	2,571
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	5,250	4,650
IMA Automation Switzerland SA	22,647	19,649
IMA Dairy & Food Holding GmbH	10,209	6,827
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	–	1,106
IMA Life Japan KK	711	767
IMA Life North America Inc.	4,688	7,202
IMA Pacific Co. Ltd.	2,320	5,905
IMA-PG India Pvt. Ltd.	2,600	2,600
Perfect Pack S.r.l.	449	597
Petroncini Impianti S.p.A.	1,048	5,175
Pharmasiena Service S.r.l.	–	2,608
Teknoweb Converting S.r.l.	–	3,000
Thomas Llc	1,203	–
Tissue Machinery Company S.p.A.	18,433	21,979
Merged companies CMRE S.r.l. and Telerobot S.p.A.	–	43,182
Other subsidiaries	843	994
Total	**113,973**	**183,057**

Note that Sureties and other non-bank guarantees were issued against advances received from customers for a total of 144,397 thousand euros (131,641 thousand euros at 31 December 2021), of which 48,536 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

No risks have been identified as regards the recoverability of these guarantees.

31. Commitments

At 31 December 2022 there are commitments for the purchase of tangible and intangible assets of 2,561 thousand euros relating principally to the industrial building currently being built in Parma and plant and machinery ordered by the Parent Company.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 5,380 thousand euros.

There are other commitments in favour of third parties for 1,800 thousand euros.

32. Related-party transactions

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services.

IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions.

IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

The IMA Group carries on business with related parties and associates, mainly comprising persons who are responsible for administration and management within IMA S.p.A., or entities that are controlled by them.

Such transactions mainly include financial, commercial and real estate activities (leased premises) carried out in the ordinary course of business and participation in the consolidated tax mechanism.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2022	Receivables at 31.12.2021	Payables at 31.12.2022	Payables at 31.12.2021
Parent companies:				
Sofima PIK Sp.A.	–	–	223,120	215,940
SO.FI.M.A. Sp.A.	–	15,477	1,969	160
	–	**15,477**	**225,089**	**216,100**
Associates:				
Alfa Sr.l.	5,427	5,170	–	–
Amherst Stainless Fabrication Llc	1,704	1,254	805	10
A.P.M. Assembly Pack. Mach. Sr.l.	727	541	1,633	1,972
B.C. Sr.l.	3,989	3,841	1,472	862
Bacciottini F.lli Sr.l.	1,464	1,785	9,637	10,097
Bolognesi Sr.l.	1,733	1,473	7,651	6,737
Doo Officina-GAME East Vrsac	1,575	1,424	68	156
I.EM.A. Sr.l.	13,944	6,465	26,497	20,246
IMA Dairy & Food Holding GmbH	–	44,995	–	–
LA.CO Sr.l.	890	1,149	3,832	3,053
Logimatic Sr.l.	13,721	9,876	29,789	21,415
Masterpiece Sr.l.	58	53	908	839
Meccanica Sarti Sr.l.	1,245	1,532	651	333
Me. Mo. Sr.l. (in liquidation)	–	1,450	–	–
MORC 2 Sr.l.	1,963	2,138	2,761	2,667
OLTRE Sr.l.	329	311	1,231	994
O.M.S Officina Meccanica di Sonico Sr.l.	1,304	1,314	406	414
Powertransmission.it Sr.l.	202	212	1,084	872
SILMAC. Sr.l.	4,083	3,401	12,698	9,730
STA.MA. Sr.l.	587	522	2,021	2,397
Vernice Sr.l.	1,011	–	–	–
Other associates	676	820	823	684
	56,632	**89,726**	**103,967**	**83,478**
Other related parties:				
3-T Sr.l.	12	17	1,486	1,129
Applied Sr.l.	13,086	1,187	17,375	4,328
Comatic Sr.l.	1,186	36	2,678	453
Costal Sr.l.	–	–	–	1,105
Deltos Sr.l.	192	11	2,070	507
EPSOL Sr.l.	2,446	882	7,250	6,837
Erca SA.S	–	521	–	–
Hassia Verpackungsmaschinen GmbH	–	660	–	–
Hotminds Sr.l.	155	230	111	687
LPM.GROUP Sp.A.	1,062	317	7,119	6,558
RO.SI. Sr.l.	183	–	2,752	–
Talea Sr.l.	14,897	21,185	343	10,017
Timage Sr.l.	4	6	1,430	1,650
Other related parties	536	915	775	810
	33,759	**25,967**	**43,389**	**34,081**
Total	**90,391**	**131,170**	**372,445**	**333,659**

As regards the amount of the liability to Sofima PIK S.p.A., please refer to the comments in Note 15.

Note that, IMA Dairy & Food Holding GmbH and its subsidiaries were fully consolidated from 1 January 2022 following the completion of the acquisition of 34.9% by IMA S.p.A., as commented on in Note 29.

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2022	Revenues 2021	Costs 2022	Costs 2021
Parent companies:				
Sofima PIK Sp.A.	–	–	7,180	3,523
SO.FI.M.A. Sp.A.	3	–	79	–
	3	**–**	**7,259**	**3,523**
Associates:				
Alfa Sr.l.	1,016	34	1,093	812
Amherst Stainless Fabrication Llc	225	26	5,814	3,628
A.P.M. Assembly Pack. Mach. Sr.l.	254	180	3,671	2,827
B.C. Sr.l.	328	353	6,726	6,247
Bacciottini F.lli Sr.l.	590	638	14,132	13,586
Bolognesi Sr.l.	427	208	8,717	7,805
Doo Officina-Game East Vrsac	151	186	1,320	1,177
I.EM.A. Sr.l.	11,399	5,013	29,432	23,229
IMA Dairy & Food Holding GmbH	–	1,215	–	–
LA.CO Sr.l.	119	81	4,685	3,650
Logimatic Sr.l.	8,099	5,538	37,269	31,864
Masterpiece Sr.l.	29	31	1,059	954
Meccanica Sarti Sr.l.	–	–	904	515
Me.Mo. Sr.l. (in liquidation)	–	–	1,534	46
MORC 2 Sr.l.	517	291	3,443	3,851
OLTRE Sr.l.	18	1	1,432	1,223
O.M.S Officina Meccanica Sonico Sr.l.	12	93	1,610	1,867
Powertransmission.it Sr.l.	27	27	1,211	889
SI.L.MAC. Sr.l.	2,429	2,015	14,891	12,844
SI.Me. Sr.l.	–	–	1,437	1,220
STA.MA. Sr.l.	291	582	2,255	2,581
Talea Sr.l.	–	129	–	3,288
Other associates	46	43	998	756
	25,977	**16,684**	**143,633**	**124,859**
Other related parties:				
3-T Sr.l.	13	16	1,704	1,405
Applied Sr.l.	988	93	7,893	3,747
Cataudella Stefano	4	–	485	323
Comatic Sr.l.	355	25	1,632	654
Costal Sr.l.	–	–	2,302	2,279
Deltos Sr.l.	347	11	2,299	1,400
EPSOL Sr.l.	1,812	861	7,887	7,852
Erca SAS	–	794	–	166
Hassia Verpackungsmaschinen GmbH	–	1,060	–	–
Hotminds Sr.l.	5	–	191	831
IMA Dairy & Food USA Inc.	–	1,315	–	102
LPM.GROUP Sp.A.	98	312	7,788	7,259
Morosina Sp.A.	–	–	1,252	1,280
Poggi & Associati	–	–	926	1,481
RO.SI. Sr.l.	1	–	3,232	–
Talea Sr.l.	–	1,110	1,475	852
Timage Sr.l.	–	–	3,600	3,756
Other related parties	13	293	959	1,323
	3,636	**5,890**	**43,625**	**34,710**
Total	**29,616**	**22,574**	**194,517**	**163,092**

Because of the adoption of IFRS 16, the costs for rentals with related parties have been eliminated. These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

The revenue from EPSOL S.r.l. relates principally to the sale of commercial parts used in production.

The costs from EPSOL S.r.l. refer to the design and production of systems for automatic machines, the costs from LPM.GROUP S.r.l. mainly refer to protections for machinery and parts to drawings, the costs from RO.SI. concern mechanical processing, especially of plastic materials, and the costs from Timage S.r.l. refer to the preparation of technical documentation.

Applied S.r.l. offers skills, services and products with high added value, to support digital innovation and Talea S.r.l. operates in the IT sector.

The table below provides a summary of the balance sheet items, including the main percentage:

in thousands of euros	Total at 31.12.2022	Of which related parties	% impact	Total at 31.12.2021	Of which related parties	% impact
Statement of financial position:						
Fixed assets and right of use assets	3,974,343	25,842	0.7%	3,858,663	20,249	0.5%
Investments and financial assets	31,929	27,306	85.5%	71,725	62,764	87.5%
Other non-current assets	80,289	–	–	68,355	–	–
NON-CURRENT ASSETS	4,086,561	53,148	1.3%	3,998,743	83,013	2.1%
Trade and other receivables	752,037	35,266	4.7%	504,096	21,882	4.3%
Financial assets	7,651	1,977	25.8%	15,930	10,877	68.3%
Cash and cash equivalents	204,686	–	–	231,727	–	–
Income tax receivables	7,143	–	–	21,370	15,398	72.1%
Other current assets	442,655	–	–	369,104	–	–
CURRENT ASSETS	1,414,172	37,243	2.6%	1,142,227	48,157	4.2%
TOTAL ASSETS	**5,500,733**	**90,391**	**1.6%**	**5,140,970**	**131,170**	**2.6%**
SHAREHOLDERS EQUITY	2,190,810			2,068,789		
Borrowings and lease liabilities	1,660,573	223,120	13.4%	1,641,614	215,940	13.2%
Other non-current liabilities	498,526	–	–	470,973	–	–
NON-CURRENT LIABILITIES	2,159,099	223,120	10.3%	2,112,587	215,940	10.2%
Borrowings and lease liabilities	140,829	–	–	88,262	–	–
Trade and other payables	955,544	147,356	15.4%	819,808	117,719	14.4%
Income tax liabilities	10,349	1,969	19.0%	9,856	–	–
Other current liabilities	44,102	–	–	41,668	–	–
CURRENT LIABILITIES	1,150,824	149,325	13.0%	959,594	117,719	12.3%
TOTAL EQUITY AND LIABILITIES	**5,500,733**	**372,445**	**6.8%**	**5,140,970**	**333,659**	**6.5%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2022	Of which related parties	% impact	2021	Of which related parties	% impact
Income statement:						
Revenue from contracts with customers	1,990,343	27,004	1.4%	1,688,317	18,660	1.1%
Other income and capitalized costs	52,980	199	0.4%	51,837	1,035	2.0%
Cost of raw materials and goods	(804,265)	(127,295)	15.8%	(632,069)	(105,278)	16.7%
Cost of services and leases	(381,826)	(54,860)	14.4%	(328,965)	(51,407)	15.6%
Other operating costs	(673,307)	(2,006)	0.3%	(625,206)	(1,451)	0.2%
OPERATING PROFIT	**183,925**			**153,914**		
Net financial income	71,068	41	0.1%	35,347	1,064	3.0%
Net financial expense	(123,907)	(7,180)	5.8%	(124,166)	(3,523)	2.8%
FINANCIAL INCOME AND EXPENSE	**(52,839)**			**(88,819)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**(804)**	**(804)**	100.0%	**382**	**382**	100.0%
Taxes	(22,265)	–	–	(9,383)	–	–
PROFIT FOR THE YEAR	**108,017**			**56,094**		

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration due for any reason and in any form to directors and statutory auditors of the Parent for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2022	2021
Directors	1,830	1,939
Statutory Auditors	156	181
Total	**1,986**	**2,120**

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2022	2021
Short-term benefits	3.289	3.359
Long-term benefits	–	–
Post-employment benefits	263	175
Fees for positions	2.069	2.206
Total	**5.621**	**5.740**

Fees paid to the independent auditors

The following table shows the fees in 2022 for auditing services and services other than auditing, the latter mainly relating to auditing of the Sustainability Report, prepared on a voluntary basis, R&D receivables and analysis concerning to environmental sustainability:

in thousands of euros	Service rendered by	To	Fees
Audit	EY Sp.A.	Parent company IMA Sp.A.	321
	EY Sp.A.	Subsidiary companies	412
	EY network	Subsidiary companies	251
Other services rendered in connection with the review	EY Sp.A.	Parent company IMA Sp.A.	126
	EY Sp.A.	Subsidiary companies	14
Other services	EY Sp.A.	Parent company IMA Sp.A.	234
	EY network	Subsidiary companies	72
Total			**1,430**

33. Significant non-recurring transactions and events

During the course of 2022, non-recurring charges of 4,573 thousand euros mainly relate to costs incurred as a result of the Covid-19 emergency, particularly the application of social distancing measures, hygiene procedures and other safety measures, as well as ancillary charges related to the acquisition of the Dairy & Food business.

The total amount is classified under Costs of raw materials for 265 thousand euros, Services for 3,883 thousand euros and Personnel costs for 425 thousand euros.

The charges relating to the previous year of 15,254 thousand euros were mainly linked to the costs incurred in relation to the mandatory public tender offer for IMA's shares and charges resulting from the Covid-19 emergency.

34. Significant events subsequent to year end

The main events subsequent to the year end are the following:

- the reverse merger by the subsidiary Claren Cutting Service S.r.l., with effect from 1 January 2023, absorbing its parent company, Spares & More S.r.l., changing the company's name to Spares Service & Machinery S.r.l.;
- merger, with effect from 1 January 2023, with Thomas Llc being absorbed by its parent IMA North America Inc.;
- on 20 January the Parent Company completed its purchase of the residual 20% of Petroncini Impianti S.p.A., already consolidated line-for-line, for 5,000 thousand euros, which was all paid at the closing.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- Alphamac S.r.l.	Bologna	Bologna - Italy	90,000	EUR	–	100%
- ATOP S.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	100%	–
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100%(1)	–
- Claren Cutting Service S.r.l.	Calderara di Reno	Bologna - Italy	100,000	EUR	–	100%
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	–
- Eurosicma - Costruzioni Macchine Automatiche S.p.A.	Milan	Milan - Italy	700,000	EUR	100%	–
- FASP S.r.l.	Montecchio Maggiore	Vicenza - Italy	100,000	EUR	100%(2)	–
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	–	100%
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100%(3)	–
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	80%	–
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	97%	–
- Record S.p.A.	Garbagnate Monastero	Lecco - Italy	335,400	EUR	100%(4)	–
- Spares & More S.r.l.	Gallicano	Lucca - Italy	10,848	EUR	–	100%
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100%(5)	–
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	80%(6)	–
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%(7)	–
- ATOP (Shanghai) Electrical Equipment Co.Ltd.	Shanghai	PRC	200,000	EUR	–	100%
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	–
- CDE-Packaging GmbH	Glauburg	Germany	49,000	EUR	–	100%
- Delta Systems & Automation Llc	Lowell	USA	1,000	USD	–	100%
- Erca S.A.S.	Les Ulis	France	2,594,390	EUR	–	100%
- GASTI Verpackungsmaschinen GmbH	Schwäbisch Hall	Germany	25,000	EUR	–	100%
- Hassia Verpackungsmaschinen GmbH	Ranstadt	Germany	2,100,000	EUR	–	100%
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	100%	–
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	100%	–
- IMA Automation Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	100%	–
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	–	100%
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	–
- IMA Life (Shanghai) Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	–	86.29%
- IMA Life North America Inc.	Tonawanda	USA	100	USD	–	100%
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	–
- IMA MAI S.A.U.	Mar del Plata	Argentina	6,995,285	ARS	100%	–
- IMA North America Inc.	Leominster	USA	8,052,500	USD	–	100%
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	–
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	–
- INTECMA S.A.	Sant Just Desvern	Spain	81,279	EUR	–	100%(8)
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	–
- Tecmar S.A.	Mar del Plata	Argentina	692,500	ARS	100%(9)	–
- Thomas Llc	Elgin	USA	6,000,000	USD		100%
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	–	100%

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000.

Companies consolidated line-by-line (continued	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Ilapak France SA	Lognes Paris	France	105,130	EUR	–	100%
- Ilapak Inc.	Newtown	USA	12,500	USD	–	100%
- Ilapak Israel Ltd.	Caesarea	Israel	7,570,338	ILS	–	100%
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	–	100%
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	–	100%
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	–	100%
- Ilapak Verpackungsmaschinen GmbH	Haan Düsseldorf	Germany	102,500	EUR	–	100%
- IMA Dairy & Food Asia Pacific Sdn Bhd	Kuala Lumpur	Malaysia	10	MYR	–	80%
- IMA Dairy and Food Russia OOO	St. Petersburg	Russia	10,000	RUB	–	100%
- IMA Dairy & Food Spain and Portugal SA.	Viladecans	Spain	60,101	EUR	–	100%
- IMA Dairy & Food UK Ltd.	Retford	UK	1	GBP	–	100%
- IMA Dairy & Food USA Inc.	Leominster	USA	1	USD	–	100%
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	–
- IMA France Eu.r.l.	Rueil Malmaison	France	45,735	EUR	100%	–
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	–
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	–
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	–
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	–	100%
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	–
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	–
- IMA Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	–
- IMA UK Ltd.	Alcester	UK	1	GBP	–	100%
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	–
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	100%	–
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	–	100%
- TMC North America Inc.	Appleton	USA	100,000	USD	–	100%
Financial companies:						
- IMA Dairy & Food Holding GmbH	Ranstadt	Germany	25,000	EUR	100%(10)	–
- Packaging Systems Holdings Inc.	Wilmington	USA	1,001	USD	100%	–
Other companies:						
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	–	80%
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	–
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	–

Note:

(11) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital
(12) The percentage interest held in FASP S.r.l. includes an option to purchase 20% of the quota capital
(13) The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital
(14) The percentage interest held in Record S.p.A. includes an option to purchase 10.4% of the quota capital
(15) The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital
(16) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 10% of the quota capital
(17) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(18) The percentage interest held in INTECMA S.A. includes an option to purchase 49% of the quota capital
(19) The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital
(20) The percentage interest held in IMA Dairy & Food Holding GmbH includes an option to purchase 25.1% of the quota capital

FOR FURTHER INFORMATION, PLEASE REFER TO THE GROUP STRUCTURE AT 31 DECEMBER 2022 SECTION

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- Alfa S.r.l.	Bologna	Bologna - Italy	1,000,000	EUR	40%(1)
- Amherst Stainless Fabrication Llc	Amherst NY	USA	1,100,000	USD	20%(2)
- A.P.M. Assembly Pack. Mach. S.r.l.	Castel Bolognese	Ravenna - Italy	100,000	EUR	32%(1)
- B.C. S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Montemurlo	Prato - Italy	500,000	EUR	30%(1)
- BLQ S.r.l. (in liquidation)	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30%(1)
- CAIMA S.r.l.	Monghidoro	Bologna - Italy	10,000	EUR	20%(1)
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(1)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30%(1)
- IEMATECH S.r.l.	Brivio	Lecco - Italy	10,000	EUR	30%(1)
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17%(1)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30%(1)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30%(1)
- Me.Mo. S.r.l. (in liquidation)	Gaggio Montano	Bologna - Italy	10,000	EUR	20%(1)
- MORC2 S.r.l.	Faenza	Ravenna - Italy	20,800	EUR	20%(1)
- OLTRE S.r.l.	Ozzano dell'Emilia	Bologna - Italy	50,000	EUR	30%(1)
- OMEGA S.r.l.	Castel Guelfo	Bologna - Italy	10,000	EUR	20%(1)
- O.M.S. Officina Meccanica Sonico S.r.l.	Sonico	Brescia - Italy	31,200	EUR	40%(1)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20%(1)
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30%(1)
- SI.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	125,000	EUR	39.2%(1)
- STA.MA. S.r.l.	Castel San Pietro Terme	Bologna - Italy	10,400	EUR	30%(1)
- Vernice S.r.l.	Zola Predosa	Bologna - Italy	20,000	EUR	45%(1)

Note:

(3) Held by Packaging Manufacturing Industry S.r.l.

(4) Held by IMA Life North America Inc.

Independent Auditor's Report

EY

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Sole Shareholder of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group" or "Group"), which comprise the statement of financial position at December 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations of I.M.A. Group at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of I.M.A. Group at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of I.M.A. Group at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 30, 2023

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2021

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

Consolidated Statement of Financial Position

ASSETS	Note	31 December 2021	31 December 2020
NON-CURRENT ASSETS			
Property, plant and equipment	2	141,536	116,316
Right of use assets	2	255,600	239,648
Intangible assets	3	3,461,527	871,528
Investments accounted for using the equity method	4	30,592	29,290
Financial assets	5	41,133	45,957
Receivables from others	6	5,693	2,907
Derivative financial instruments	7	–	5
Deferred tax assets	8	62,662	61,114
TOTAL NON-CURRENT ASSETS		3,998,743	1,366,765
CURRENT ASSETS			
Inventories	9	368,865	354,428
Trade and other receivables	10	257,307	260,829
Contract assets	10	246,789	193,987
Income tax receivables	11	21,370	19,187
Financial assets	5	15,930	31,966
Derivative financial instruments	7	239	435
Cash and cash equivalents	12	231,727	130,880
TOTAL CURRENT ASSETS		1,142,227	991,712
TOTAL ASSETS		**5,140,970**	**2,358,477**

EQUITY AND LIABILITIES	Note	31 December 2021	31 December 2020
EQUITY			
Share capital		22,471	22,471
Reserves and retained earnings		1,972,520	458,457
Profit for the year		55,860	91,716
Equity attributable to equity holders of the parent	13	2,050,851	572,644
Non-controlling interests	14	17,938	8,458
TOTAL EQUITY		2,068,789	581,102
NON-CURRENT LIABILITIES			
Borrowings	15	1,469,132	445,141
Lease liabilities	15	172,482	158,572
Employee defined benefit liabilities	16	36,580	42,840
Provisions for risks and charges	17	4,189	4,651
Other payables	18	67,042	100,898
Derivative financial instruments	7	1,727	6,978
Deferred tax liabilities	8	361,435	94,925
TOTAL NON-CURRENT LIABILITIES		2,112,587	854,005
CURRENT LIABILITIES			
Borrowings	15	62,733	181,568
Lease liabilities	15	25,529	24,146
Trade and other payables	18	613,120	518,088
Contract liabilities	18	206,688	151,023
Income tax liabilities	11	9,856	13,487
Provisions for risks and charges	17	40,642	34,955
Derivative financial instruments	7	1,026	103
TOTAL CURRENT LIABILITIES		959,594	923,370
TOTAL LIABILITIES		3,072,181	1,777,375
TOTAL EQUITY AND LIABILITIES		**5,140,970**	**2,358,477**

Consolidated Income Statement

	Note	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1,688,317	1,490,472
OTHER REVENUE	19	12,810	14,378
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		(8,762)	19,875
Change in inventory of raw, ancillary and consumable materials		11,124	(5,704)
Cost of raw, ancillary and consumable materials and goods for resale	20	(632,069)	(571,968)
Services, rentals and leases	21	(328,965)	(284,445)
Personnel costs	22	(463,787)	(429,902)
Capitalized costs	19	39,027	31,181
Depreciation, amortization and write-downs	23	(145,278)	(95,602)
Provisions for risks and charges		(5,813)	(5,242)
Other operating costs	24	(12,690)	(12,656)
TOTAL OPERATING COSTS		(1,547,213)	(1,354,463)
- of which: effect of non-recurring items	33	*(15,254)*	*(5,351)*
OPERATING PROFIT	1	153,914	150,387
- of which: effect of non-recurring items	33	*(15,254)*	*(5,351)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	35,347	24,485
Financial expense	26	(124,166)	(57,467)
TOTAL FINANCIAL INCOME AND EXPENSE		(88,819)	(32,982)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		382	3,735
PROFIT BEFORE TAXES		65,477	121,140
TAXES	27	(9,383)	(31,324)
PROFIT FOR THE YEAR		**56,094**	**89,816**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		55,860	91,716
NON-CONTROLLING INTERESTS		234	(1,900)
		56,094	**89,816**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**28**	**1.30**	**2.13**

Consolidated Statement of Comprehensive Income

	Note	2021	2020
Net profit for the year		56,094	89,816
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		5,828	(10,586)
Gains (losses) on financial assets measured at FVOCI	13	(2,988)	104
Gains (losses) on cash flow hedges	13	4,326	(2,152)
Tax effect		(321)	249
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**6,845**	**(12,385)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	4,797	(2,976)
Gains (losses) from investments accounted for using the equity method		2,406	–
Tax effect		(748)	387
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**6,455**	**(2,589)**
Gains and losses recognized in equity		**13,300**	**(14,974)**
Total comprehensive income		**69,394**	**74,842**
Attributable to:			
Equity holders of the parent		69,046	77,720
Non-controlling interests		348	(2,878)
		69,394	**74,842**

Statement of Changes in Consolidated Equity

	Share capital	Share premium reserve	Treasury shares	Trans-lation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 01.01.2020	**22,471**	**122,818**	**(5,589)**	**585**	**(4,273)**	**188,265**	**169,248**	**493,525**	**11,355**	**504,880**
Monetary revaluation by hiperinflation	–	–	–	–	–	1,399	–	1,399	–	1,399
Distribution of dividends	–	–	–	–	–	–	–	–	(19)	(19)
Allocation of earnings for 2019	–	–	–	–	–	169,248	(169,248)	–	–	–
Total comprehensive income	–	–	–	(9,594)	(1,802)	(2,600)	91,716	77,720	(2,878)	74,842
Balance at 31.12.2020	**22,471**	**122,818**	**(5,589)**	**(9,009)**	**(6,075)**	**356,312**	**91,716**	**572,644**	**8,458**	**581,102**
Effect of mergers	–	–	–	–	–	812,306	–	812,306	–	812,306
Payment from shareholders	–	–	–	–	–	610,385	–	610,385	–	610,385
Monetary revaluation by hiperinflation	–	–	–	–	–	2,620	–	2,620	–	2,620
Distribution of dividends	–	–	–	–	–	–	–	–	(44)	(44)
Allocation of earnings for 2020	–	–	–	–	–	91,716	(91,716)	–	–	–
Cancellation of treasury shares	–	(5,589)	5,589	–	–	–	–	–	–	–
Non-interest bearing loan reserve	–	–	–	–	–	42,699	–	42,699	–	42,699
Change of non-controlling interests	–	–	–	–	–	(58,849)	–	(58,849)	9,176	(49,673)
Total comprehensive income	–	–	–	5,735	1,017	6,434	55,860	69,046	348	69,394
Balance at 31.12.2021	**22,471**	**117,229**	**–**	**(3,274)**	**(5,058)**	**1,863,623**	**55,860**	**2,050,851**	**17,938**	**2,068,789**

Consolidated Statement of Cash Flow

	Note	31 December 2021	1 December 2020
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		55.860	91.716
Adjustments for:			
- Depreciation and amortization	23	143.688	93.000
- Writedowns/impairment		–	1.582
- Capital (gains) losses on disposal of non-current assets	19-24	(371)	(768)
- Changes in provisions for risks and charges and employee defined benefit liabilities		3.128	1.833
- Net interest expense	25-26	68.029	16.236
- Unrealized losses (gains) on exchange rate differences	26	(751)	2.474
- Other changes		(1.859)	(2.781)
- Taxes	27	9.383	31.324
- Non-controlling interests		234	(1.900)
- Result from investments accounted for using the equity method		(382)	(3.735)
Operating profit before changes in working capital		276.959	228.981
(Increase) decrease in trade and other receivables, including contracts asse	10	(38.863)	23.298
(Increase) decrease in inventories	9	(8.290)	(8.921)
Increase (decrease) in trade and other payables, including contracts liabilitie	18	91.535	(5.109)
Taxes paid		(34.647)	(44.402)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		286.694	193.847
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(54.545)	(38.327)
Investments in intangible assets	3	(41.440)	(36.253)
Effect of acquisition of business divisions/companies	29	(6.497)	(4.430)
Purchase of investments	4	(561)	(4.081)
Sale of subsidiaries and associates	4	320	3.214
Sale of non-current assets		1.066	1.382
Other changes		4.417	(2.611)
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(97.240)	(81.106)
FINANCING ACTIVITIES			
Granting of loans	15	7.930	14.351
Repayment of borrowings	15	(378.450)	(45.654)
Repayment of bonds	15	(145.687)	(5.229)
Increase (decrease) in other financial payables	15	(48.914)	(14.573)
Change in non-controlling interests	14	(38.068)	–
Payments for potential considerations		(7.664)	(15.936)
Net change in financial assets and other non-current receivables		14.513	(10.624)
Payment from shareholders	13	610.385	–
Payment of debt for the purchase of IMA shares		(799.310)	–
Dividends paid to non-controlling interests		(44)	(19)
Payment of interest		(59.411)	(15.158)
Receipt of interest		294	282
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(844.426)	(92.560)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D =A+B+C)		**(654.972)**	**20.181**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	12	**130.880**	**110.699**
CASH AND CASH EQUIVALENTS FROM MERGERS (F)	12	**755.819**	**–**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G =D+E+I	12	**231.727**	**130.880**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

These financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 15 March 2022 and have been audited by EY S.p.A.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as "IMA", "IMA S.p.A." or the "Parent"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna). IMA was listed on the electronic stock exchange of Borsa Italiana S.p.A. in the STAR segment until 28 January 2021.

IMA S.p.A.is subject to management and coordination, pursuant to articles 2497 and following of the civil code, of SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., with registered office in Bologna, Via Farini 11, tax code, registration to the Register of Companies of Bologna and VAT number 02444341206 ("SOFIMA").

The share capital of IMA is all held by Sofima PIK S.p.A., with registered office in Via Farini 11, Bologna (BO), tax code, registration in the Bologna Companies Register and VAT number 03888711201.

The share capital of Sofima PIK S.p.A. is all held by SOFIMA.

At 31 December 2021 SOFIMA prepares the consolidated financial statements which include the largest group of companies belonging to the Group. These consolidated financial statements will be available at the Bologna Companies Register.

mandatory takeover bid for all of the company's shares and absorption by reverse merger of ima bidco spa and sofima holding spa by ima spa

For more complete information on the accounting situation of the IMA Group, it is worth reiterating that, on 28 July 2020, an agreement was signed between the shareholders of SOFIMA., a holding company and parent of IMA S.p.A., and a number of funds assisted by BC Partners LLP ("Funds"), relating to the sale by the former to the latter of around 19% of SOFIMA's shares, in addition to the faculty, in the event of a takeover bid for all of IMA's shares, of an increase in the Funds' interest in SOFIMA to a maximum of around 45%. As a result, a situation of joint control over the parent SOFIMA came about, along with a change in control over IMA.

On 10 December 2020, Consob approved the offer document prepared for the launch of the mandatory takeover bid for 100% of the shares of IMA S.p.A. by IMA BidCo S.p.A., the vehicle set up to carry out the steps needed to achieve this change of control over IMA. At that date, IMA Bidco S.p.A. was fully controlled by Sofima Holding S.p.A., which was in turn controlled by Sofima PIK S.p.A. and, indirectly, by SOFIMA.

The takeover bid for IMA's shares launched at a price of 68 euros per share was concluded on 14 January 2021 with enough acceptances to give IMA BidCo S.p.A. 98.188% of IMA's share capital. Consequently, the legal conditions were met to allow IMA BidCo S.p.A. to exercise its right to "squeeze-out" (i.e. buy) the rest of the IMA shares on the market (from now on referred to as the "Residual Shares"), which amounted to 1.812% of the share capital. This right was exercised over the next few days and completed on 28 January 2021 with the transfer of ownership of the Residual Shares to IMA BidCo S.p.A.

The price per share offered in the takeover bid was found to be congruous on the basis of the fairness opinions issued as part of the process of issuing the motivated valuation by the Board of Directors on the takeover bid by Lazard and Rothschild & Co., acting as financial advisors appointed by the independent directors for the purpose of their assessments, as well as the fairness opinions issued by Bank of America and BNP Paribas, acting as financial advisors appointed by the Board of Directors.

By provision no. 8725 of 20 January 2021, Borsa Italiana S.p.A. ordered the delisting from 28 January 2021 of IMA's shares, which as of that date were wholly owned by the Sole Shareholder IMA BidCo S.p.A., in turn wholly owned by Sofima Holding S.p.A. and, indirectly, by SOFIMA.

The valuation of IMA's equity resulting from the takeover bid amounted to 2,931.2 million euros, which includes recognition of a surplus value of 2,358.6 million euros compared with the equity attributable to the IMA Group at 31 December 2020, which amounted to 572.6 million euros. In the consolidated financial statements of Sofima Holding S.p.A. at 31 December 2020, this surplus value has been provisionally allocated to goodwill, bringing the total carrying amount of this item to 2,840 million euros. During the current year, this goodwill was then reallocated to the assets acquired as part of the takeover bid, as explained in greater detail in Note 3 Intangible assets.

On 8 April 2021, once the delisting had been completed, the Extraordinary Shareholders' Meeting of Sofima Holding S.p.A. approved the unified project for the reverse merger by absorption of IMA BidCo S.p.A. and Sofima Holding S.p.A. by IMA S.p.A. Similar resolutions were passed on the same date by the Extraordinary Shareholders' Meetings of the subsidiaries IMA BidCo S.p.A. and IMA S.p.A.

The reverse merger by absorption of IMA BidCo S.p.A. and Sofima Holding S.p.A. by IMA S.p.A. consisted of a unified series of reverse mergers by absorption pursuant to articles 2501 *et seq.* of the Italian Civil Code and was divided into:

- the reverse merger by absorption of IMA BidCo S.p.A., with registered office in Via Farini 11, Bologna (BO), tax code, registration in the Bologna Companies Register and VAT number 03891601209, by the wholly owned subsidiary IMA Industria Macchine Automatiche S.p.A. (the "First Merger");
- the reverse merger by absorption of Sofima Holding S.p.A., with registered office in Via Farini 11, Bologna (BO), tax code, registration in the Bologna Companies Register and VAT number 03889841205, by its wholly owned subsidiary IMA Industria Macchine Automatiche S.p.A., as resulting from the First Merger (the "Second Merger").

The provisions of article 2501-bis of the Italian Civil Code were applicable to the Second Merger as Sofima Holding S.p.A. had taken out debt to acquire, through IMA BidCo S.p.A., 100% of IMA S.p.A., so the latter's net assets constitute a generic guarantee of this debt.

Prior to the mergers, IMA BidCo S.p.A. held 43,105,509 shares of IMA S.p.A., representing 100% of IMA's share capital after cancellation of the 107,000 treasury shares held by IMA; Sofima Holding S.p.A. held 1,000,000 shares of IMA BidCo S.p.A., representative of 100% of IMA BidCo S.p.A. share capital Sofima Holding S.p.A.'s share capital, consisting of 1,000,000 ordinary shares, was wholly owned by its sole shareholder Sofima PIK S.p.A.

The following were subscribed as part of the acquisition by the Funds:

- two high yield bonds, issued on 29 December 2020, regulated by the law of the State of New York, for a total principal of 1.28 billion euros, made up of a fixed-rate bond of 830.0 million euros and a floating-rate bond of 450.0 million euros; the bonds are backed by guarantees, including the pledge on the shares representing 100% of the capital of IMA S.p.A.;
- a super senior revolving contract, under which the lending banks undertook to make loans available to IMA for a total of 150.0 million euros to finance the general cash needs of the Group;
- a super senior guarantee facility contract, under which the lending banks undertook to make available to IMA a credit line of 250.0 million euros for bank guarantees in favour of IMA and its subsidiaries.

In relation to these contracts, there are also covenants in place, which were met at the balance sheet date.

The merger deed of the participating companies was signed on 15 June 2021 and registered in the Companies Register on 17 June 2021. The First Merger took effect on 19 June 2021. The Second Merger took effect on 20 June 2021. For accounting and tax purposes, both mergers are effective from 1 January 2021.

Sofima PIK S.p.A. was assigned 43,105,509 shares of IMA S.p.A., equal to its entire share capital, on which there continues to be the pledge on IMA's shares mentioned above.

For further information on the merger differences generated as a result of these transactions, please refer to the comments in Notes 3 and 8.

It should be noted that in the financial statements the comparative data refer to IMA Group and IMA S.p.A. at 31 December 2020 pre-merger.

For a better understanding of the explanatory Notes to the financial statements and where the amount is not insignificant, the balances at 1 January 2021 of the incorporated companies IMA BidCo S.p.A. and Sofima Holding S.p.A. have been disclosed in the statement of financial position and highlighted the contribution of these companies during the year in the income statement.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group has been applying International Accounting Standards since 2005, whereas the Parent IMA S.p.A., using the options provided for by Legislative Decree 38 of 28 February 2005, adopted International Accounting Standards in its own financial statements from 1 January 2006.

Despite the current scenario, in which the trend of the Covid-19 pandemic represents a risk factor whose economic effects depend essentially on the evolution of the vaccination campaign and on any new waves linked to the variants of the virus, it should be noted that, in the absence of uncertainties or doubts about its ability to continue in business in the foreseeable future, the consolidated financial statements of the IMA Group have been prepared on a going-concern basis.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group’s normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

Costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

Changes in equity are indicated in the relative statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements and the revenue or cost elements deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2021 are expressed in thousands of euros, except where otherwise indicated.

C) Accounting policies and accounting standards applied

The more significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

- Buildings and light constructions 10-40 years
- Plant and machinery 5-10 years
- Industrial and commercial equipment 4 years
- Other assets 4-9 years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

When accounting for the sale of property, plant and equipment, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

LEASES

The contract is, or contains, a lease if, in exchange for a fee, it grants the right to control the use of a specified asset for a certain period of time. When the Group acts as a lessee, at the effective date it recognises an asset consisting of the right of use and a lease liability.

Right-of-Use Assets

Right-of-use assets are recognised at cost and include the amount of the initial measurement of the lease liability, the payments due for the lease made on or before the effective date, net of lease incentives received, the initial direct costs incurred and, if applicable, dismantling costs. Right-of-use assets are depreciated on a straight-line basis for the lower of the lease term and the estimated useful life.

If, at the end of the lease term, the property is transferred to the lessee or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing as explained in the section entitled "Impairment of assets".

Lease liabilities

Lease liabilities are recognised at the present value of payments due over the life of the lease not paid at the start date, and include fixed payments net of any lease incentives to be received, variable payments due for the lease which depend on a index or rate, the amounts that the lessee is expected to pay as guarantees of the residual value, the exercise price of the purchase option, if it is reasonably certain that the lessee will exercise the option, and any penalty payments for termination of the lease if the duration of the lease takes into account the lessee exercising the option to terminate the lease.

The lease payments are estimated using the implicit interest rate of the lease, if this can be easily determined. If this is not possible, the incremental borrowing rate is used, i.e. the interest rate that would have to be paid for a loan, with a similar duration and guarantees, needed to obtain an asset of similar value to the right-of-use asset in a similar economic context. The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong.

The value of lease liabilities is increased to take interest into account and is decreased to take payments made into account. In addition, the carrying amount of the lease liabilities is re-measured if there is a change in the lease duration, a change in the valuation of a purchase option for the underlying asset, a change in future payments due for the lease deriving from a change in the index or rate used to determine payments.

The Group has included any extension periods covered by the renewal option in the duration of the contract, when it is assumed with reasonable certainty that it will be exercised, also in consideration of the experience acquired. A condition for renewal of the term is also that the Group can exercise the option without the consent of the counterparty or that the lessor is exposed to a significant penalty in case of termination of the contract.

The contracts that may envisage a renewal option refer mainly to property leases.

The Group did not apply this accounting method to the leases involving intangible assets, to short-term leases of property, plant and equipment and leases involving low-value assets. Low-value contracts refer mainly to electronic devices.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost. Development costs and goodwill have been booked to assets with the consent of the Board of Statutory Auditors.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-15	years
• Software, licences and similar rights	5-20	years
• Trademarks	10-20	years
• Development costs	3-15	years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

When accounting for the sale of intangible assets, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset or a right-of-use asset, is impaired if its carrying amount is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

At the time of initial recognition, financial assets are classified according to the subsequent methods of measurement, i.e. at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are valued at the transaction price determined according to IFRS 15, as commented on in the section entitled "Revenue from contracts with customers". For a financial asset to be classified and valued at amortised cost or at FVOCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called "Solely Payments of Principal and Interest or SPPI"). This assessment is referred to as an SPPI test and is performed at instrument level.

For the purpose of subsequent measurement, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is to own financial assets in order to collect the contractual cash flows, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group measures assets from debt instruments at FVOCI if both the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved by collecting contractual cash flows and by selling the financial assets, and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortised cost. Other changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At the time of initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument.

Profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those that are carved out, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value are recognised in profit/(loss) for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the sections "Finance leases" and "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The portion of profit or loss on the hedged instrument, relating to the effective hedging portion, is recognized in the statement of other comprehensive income in the fair value reserve, while the ineffective portion is recognized directly in the income statement. When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

With regard to impairment, the IAS 39 model based on incurred losses was replaced in 2018 by the expected credit loss (ECL) model, as provided for in IFRS 9. The model assumes a significant level of estimation regarding the impact of changes in economic factors on ECL which are weighted according to probabilities. The impairment loss model is applied to financial assets valued at amortised cost or at FVOCI, except for equity instruments and assets deriving from contracts with customers.

Credit hedging funds are measured using the following methodological approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires the classification of financial instruments included in the scope of application of IFRS 9 into three stages. The three stages reflect the level of deterioration in credit quality when the financial instrument is acquired and involve a different method of calculating the ECL;
- the Simplified Approach envisages, for trade receivables, contract assets and receivables deriving from lease contracts, the adoption of some simplifications, in order to avoid entities being forced to monitor changes in credit risk, as required by the General Model. Recognition of the impairment according to the simplified approach should be lifetime, so stage allocation is not required. One of the operational examples falling within the simplified approaches for the estimation of ECLs is that of the Provision Matrix, particularly suitable, in terms of its construction, for assessing trade receivables from a particularly fractioned clientèle but which offers the possibility of being categorised in the same risk classes. In fact, different impairment rates are determined in the provision matrix, making it possible to group together in the proposed matrix, first of all the receivables based on the days' delay in payment of the trade receivables. In addition to this aggregation variable, impairment rates are estimated by customer classes that show the same loss path. The standard does not lay down a single principle for customer segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. According to the individual customer base, therefore, each entity organises the provision matrix by dividing customers into clusters using different factors and variables such as geographical area, product area and credit rating.

As anticipated above, when the General Deterioration Method is applied, financial instruments are classified into three stages according to the deterioration of their credit quality between the date of initial recognition and the measurement date:

- Stage 1 - for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: the expected losses are estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on the ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters are not estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;
- Stage 2 and 3 - on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

When defining the methodological approach to be applied to the assets in the scope of impairment, the financial assets in the portfolio subject to impairment were analysed with particular reference to trade receivables and contract assets, which represent the majority of the Group's credit exposure.

For trade receivables and contract assets, the Group generally determines qualitative and quantitative thresholds to define the default of these positions which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. For trade receivables deemed individually significant by management and for which more detailed information on the significant increase in credit risk is available, a simplified approach has been applied within the simplified model.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks.

Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity.

No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies. As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

Financial liabilities are split by IFRS 9 into financial liabilities at amortised cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

As regards the put & call options on minority interests, the Group recognizes al financial liability equal to the current value of the option's strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from net equity by reducing the minority interest if the terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently re-measured at each closing date in accordance with IFRS 9.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received. They are recorded using the income method. Note that the Group has included the information required by article 1, paragraph 125, of Law 124 of 4 August 2017 in the notes.

TAXES

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

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control. The Group's main revenue streams are:

- machines and contracts in progress,
- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

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

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

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

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

The Group generally receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months.

Presentation in the financial statements is as follows:

- Contract assets: the right to a consideration in exchange for goods or services transferred to the customer. If the transaction is fulfilled before payment of the consideration or before the payment is due, the contract is presented as an asset deriving from a contract, excluding the amounts presented as receivables. At each balance sheet date, the Group checks whether the asset deriving from a contract has suffered impairment according to IFRS 9;
- Receivables: the unconditional right to a consideration. The right to consideration is unconditional if only the passage of time is required to make the payment due. At each reporting date, the Group checks for any impairment according to IFRS 9;
- Contract liabilities: the obligation to transfer to the customer any goods or services for which consideration has been received from the customer. If the customer pays the consideration before the goods or services have been transferred, the contract is presented as a liability deriving from a contract at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each project.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

	2021		2020	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.133	1.183	1.227	1.142
GB pound sterling	0.840	0.860	0.899	0.890
Indian rupee	84.229	87.439	89.660	84.639
Chinese yuan	7.195	7.628	8.022	7.875
Swiss franc	1.033	1.081	1.080	1.070
Argentine peso	116.362	116.362	103.249	103.249

Following the adoption of IAS 29 Accounting in Hyperinflationary Economies, the year-end exchange rate of the Argentine peso is used as the average exchange rate. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine peso.

HYPERINFLATION

In application of IAS 29 Accounting in Hyperinflationary Economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be reported in the current unit of measurement at the year-end date.

The balance sheet values not yet expressed in the current unit of measurement at the balance sheet date, i.e. non-monetary assets and liabilities and equity, are restated by applying a general price index that reflects the changes in general purchasing power.

The monetary elements, represented by any cash held and by the asset or liability items whose values must be received or paid in cash, are not restated as they are already expressed in the current unit of measurement at the balance sheet date.

The gain or loss on the net monetary position is recognized in the income statement. Income statement balances are translated by applying the closing exchange rate instead of the average exchange rate, as required by IAS 21.

The standard is applied to the subsidiaries in Argentina.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

The financial statement items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets: as required by the accounting standards they were subjected to an impairment procedure, as reported in Note 3
- deferred tax assets,
- inventories,
- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on minority interests,
- bad debt provisions,
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a liability by lease and the related discount rate,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, in relation to both the allocation of the price of business combinations and the impairment test, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

As regards revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made by the directors. These assumptions can be affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements. Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

With regard to environmental issues and climate change, please refer to the comments in the Report on operations. The Group, in applying the accounting principles, has taken into account any impact deriving from environmental issues and climate change, not detecting significant effects.

IMPACTS OF THE COVID-19 PANDEMIC AND THE CONFLICT IN UKRAINE

A further risk factor is represented by the evolution of the Covid-19 epidemic, a virus first identified in China in December 2019, and in March 2020 formally certified by the World Health Organization as the cause of severe infectious lung disease.

In a context of uncertainty, in which the economic repercussions of the pandemic depend on the evolution of the vaccination campaign and on any new waves linked to the variants of the virus, the Group has adopted measures to protect the health of employees and to mitigate the impact of the emergency, as commented in the sections of the directors' report entitled Economic Conditions and Health, Safety and the Environment.

The world economic picture could be made even worse by developments in recent geopolitical tensions between the main world powers, which escalated in February and culminated in Russia's invasion of Ukraine.

A deterioration in relations between the West, Russia and China could in fact have repercussions on the stability of certain equilibriums and international relations, on growth, due to a further increase in the price of energy, especially gas and oil, and on trade relations, which would suffer restrictions in the face of sanctions imposed on Russia by Western countries.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's segment information is divided into the Tea, Food & Other, Pharmaceutical and Tobacco Packaging segments, grouped together by reference markets.

IMPLEMENTATION OF ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applied from 1 January 2021

The other amendments and interpretations of accounting standards and methods in force from 1 January 2021 govern circumstances and situations that are not present, not relevant or that have not had material effects on the Group's consolidated financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2;
- Amendments to IFRS 4 - Deferral of IFRS 9;
- Amendments to IFRS 16 Leases: Covid-19 related rent concessions beyond 30 June 2021 (in force from 1 April 2021).

Accounting standards issued but not yet in force

The Group does not foresee significant impacts on equity, results and financial situation deriving from the application of the other standards and interpretations that had already been issued, but were not yet in force at the date of preparation of this document:

- IFRS 17 - Insurance Contracts;
- Amendments to IAS 1 - Presentation of Financial Statements: classification of liabilities as current or non-current;
- Amendments to IAS 1 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction;
- Amendments to IAS 16 - Proceeds before intended use;
- Amendments to IAS 37 - Onerous Contracts, costs of fulfilling a contract;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Annual cycle of improvements to IFRS 2018-2020;
- Amendments to IFRS 17 – Insurance Contracts - Comparative Information

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
  a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

Credit risk

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed at Group companies and are therefore considered to be at a likelihood of immaterial risk.

It should be noted that at 31 December 2021 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2021 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

Liquidity risk

The difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements. The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net financial debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

In addition to what has been commented on in the Overview section on the bond loan and the Super Senior Revolving borrowing facilities, from the third quarter of 2021, a programme was implemented to concentrate the cash of some Italian subsidiaries in a master account held by IMA S.p.A., using the zero balance method. The same cash management model was used between IMA Life North America Inc. and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31.12.2021				
Borrowings and lease liabilities	88,262	63,716	1,577,898	1,729,876
Commitments	11,276	1,760	–	13,036
Trade Payables	435,283	–	–	435,283
Total	**534,821**	**65,476**	**1,577,898**	**2,178,195**
31.12.2020				
Borrowings and lease liabilities	205,714	473,914	129,799	809,427
Commitments	28,825	1,773	618	31,216
Trade Payables	403,664	6	–	403,670
Total	**638,203**	**475,693**	**130,417**	**1,244,313**

Further information on the composition of the above items is provided in Notes 15, 18 and 31.

At 31 December 2021 the Group had about 520 million euros available in unused lines of credit (568 million euros at 31 December 2020) and cash and cash equivalents of 232 million euros (131 million euros at 31 December 2020).

As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 444 million euros at 31 December 2021 (387 million euros at 31 December 2020).

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. Market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of these risks:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	231,727	53,029	(1,002)	–	1,085	–
Trade and other receivables	509,789	110,205	(2,115)	–	2,196	–
Financial assets at amortized cost, at FVOCI and at FVPL	57,063	5,502	(108)	–	112	–
Derivative financial instruments	239	239	–	430	–	112
Tax effect			774	(103)	(814)	(27)
			(2,451)	**327**	**2,579**	**85**
Financial liabilities:						
Borrowings	275,274	5,031	(99)	–	103	–
Bonds	1,256,591	–	–	–	–	–
Lease liabilities	198,011	–	–	–	–	–
Trade and other payables	886,850	210,165	4,041	–	(4,207)	–
Derivative financial instruments	2,753	1,026	–	673	–	(1,259)
Tax effect			(946)	(162)	985	302
			2,996	**511**	**(3,119)**	**(957)**
Total increases (decreases) for 2021			**545**	**838**	**(540)**	**(872)**
Total increases (decreases) for 2020			**1,933**	**185**	**(499)**	**(192)**

2021 and 2020 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2021 and 31 December 2020:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	344.439	46.695	523.245	214.349
US dollar	46.956	5.629	64.538	13.912
Swiss franc	24.139	2.288	20.127	5.236
Indian rupee	1.546	1.126	4.130	2.531
GB Pound sterling	3.904	629	5.106	1.407
Thai baht	5.262	3.626	2.898	773
Chinese yuan	5.349	2.162	8.676	3.748
Japanese yen	2.850	225	4.332	471
Brazilian real	993	548	1.747	517
Russian ruble	500	499	992	77
Argentine Peso	367	1.504	2.918	930
Other	7.846	707	3.262	928
Total at 31 December 2021	**444.151**	**65.638**	**641.971**	**244.879**
Euro	299.384	50.854	459.461	189.148
US dollar	47.246	2.235	59.181	12.758
Swiss franc	22.313	4.139	15.140	4.349
Indian rupee	1.748	1.055	3.523	2.249
GB Pound sterling	3.658	706	3.765	1.317
Thai baht	3.046	3.988	2.924	481
Chinese yuan	5.884	2.240	6.748	3.143
Japanese yen	379	63	45	94
Brazilian real	1.072	330	376	512
Russian ruble	342	143	1.010	172
Argentine Peso	346	1.338	1.703	578
Other	1.876	431	817	515
Total at 31 December 2020	**387.294**	**67.522**	**554.693**	**215.316**

It should also be noted that at 31 December 2021 the financial assets at amortised cost, FVOCI and FVPL are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically purchases of IRS and caps and sales of floors which, once a certain level has been reached, transform a floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

			Interest rate risk (IRR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to IRR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	231,727	2,132 (*)	11	–	(11)	–
Trade and other receivables	509,789	–	–	–	–	–
Financial assets at amortized cost, at FVOCI and at FVPL	57,063	4,225	21	–	(21)	–
Derivative financial instruments	239	–	–	–	–	–
Tax effect			(8)	–	8	–
			24	**–**	**(24)**	**–**
Financial liabilities:						
Borrowings	275,274	108,414 (*)	(512)	–	512	–
Bonds	1,256,591	450,000	(2,250)	–	2,250	–
Lease liabilities	198,011	(**) –	–	–	–	–
Trade and other payables	886,850	–	–	–	–	–
Derivative financial instruments	2,753	2,753	–	1,192	–	(1,273)
Tax effect			663	(286)	(663)	306
			(2,099)	**906**	**2,099**	**(967)**
Total increases (decreases) for 2021			**(2,075)**	**906**	**2,075**	**(967)**
Total increases (decreases) for 2020			**(853)**	**2,859**	**853**	**(2,813)**

2021 and 2020 variability parameters +/- 50 bp €/$

(*) Annual average.

(**) Not considered as they are fixed rate

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

The Group considered that to date the variables underlying the determination of variable interest rates continue to be quantities widely traded on the markets.

Exchange rate and interest rate risk management is carried out in line with the "Risk management policy".

Price risk

At 31 December 2021, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net financial debt and its equity:

in thousands of euros	2021	2020
Net financial debt (A)	1,448,149	607,705
Equity (B)	2,068,789	581,102
Total capital (A)+(B)=(C)	3,516,938	1,188,807
Gearing ratio (A)/(C)	**41%**	**51%**

As regards the change in net financial debt and shareholders' equity please read Note 15 and 13.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2021 and 31 December 2020 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	11,777	11,777
Derivative financial instruments	–	239	–	239
Total assets at 31 December 2021	**–**	**239**	**11,777**	**12,016**
Liabilities:				
Payables for acquisitions	–	–	92,537	92,537
Derivative financial instruments	–	2,753	–	2,753
Total liabilities at 31 December 2021	**–**	**2,753**	**92,537**	**95,290**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	25,667	25,667
Derivative financial instruments	–	440	–	440
Total assets at 31 December 2020	**–**	**440**	**25,667**	**26,107**
Liabilities:				
Payables for acquisitions	–	–	105,219	105,219
Derivative financial instruments	–	7,081	–	7,081
Total liabilities at 31 December 2020	**–**	**7,081**	**105,219**	**112,300**

Investments in other companies and investments in securities held as financial assets at FVOCI are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except for the investment in Note 5 in relation to Mint Street Holding S.p.A., a financial asset valued at FVPL. The decrease in assets is attributable to the sale of the investment funds to third parties, as commented on in Note 5.

During 2021 , there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2020	22,881	113,172
Profit/(losses) recognized in P.L.	19	6,352
Profit/(losses) recognized in OCI	104	–
Further acquisition of 30% of Eurosicma S.p.A.	–	(11,250)
Acquisition of Record S.p.A.	–	2,000
Increases/(decreases)	2,663	(5,055)
Balance at 31.12.2020	**25,667**	**105,219**
Profit/(losses) recognized in P.L.	5,265	6,631
Profit/(losses) recognized in OCI	2,001	–
Options Teknoweb Convertign S.r.l.	–	(18,039)
Further acquisition of 10% of Eurosicma S.p.A.	–	(3,900)
Acquisition of FASP S.p.A.	–	4,656
Acquisition of Thomas Llc	–	2,423
Increases/(decreases)	(21,156)	(4,453)
Balance at 31.12.2021	**11,777**	**92,537**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, represented by potential payments associated with the purchase of minority interests in subsidiaries.

E) CONSOLIDATION PRINCIPLES

Subsidiaries companies

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity.

The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

The Group reckons that it has acquired a business when the integrated set of activities and assets includes at least one factor of production and a substantial process which together contribute significantly to the ability to generate an output.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2021 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control. A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

In addition to what has been commented on in the Overview paragraph, the main events in 2021 regarding the companies included in the scope of consolidation are as follows:

- merger by absorption of the wholly owned subsidiary Corazza S.p.A. by IMA S.p.A. with effect from 1 January 2021;

- on 7 May 2021, IMA finalized the acquisition of the company known under the trade name of "Thomas Engineering", one of the main US players in the sector that produces systems for the coating of tablets used by the pharmaceutical industry. The company is based in Elgin, Illinois. The purchase agreement was entered into through the newly established company Thomas Llc, 100% owned by the subsidiary IMA North America Inc. See Note 29 "Business combinations" for further information;
- on 27 May 2021 IMA completed its purchase of the residual 30% of IMA MAI S.A.U., already consolidated line-for-line, for 4,583 thousand US dollars, of which 3,964 thousand US dollars paid at the closing, the rest in July 2021, after exercising the option envisaged in the contract;
- on 31 May 2021 IMA acquired 9.016% of the share capital of ATOP S.p.A. from third parties. The purchase cost includes the 19,045 thousand euros paid in June 2021 and 20,712 thousand euros due to be paid by April 2022. The percentage attributable to the Group has therefore reached 100%; this percentage includes a put & call option with the founders of the company equal to approximately 6.5% of the capital;
- on 23 June 2021 IMA acquired the remaining 19% of the share capital of Transworld Packaging Holding S.p.A. from related parties for 19,000 thousand euros, thus bringing its stake in the company to 100%;
- on 22 July 2021 IMA completed the acquisition of 80% of FASP S.r.l., a company based in Montecchio Maggiore (Vicenza) which develops technological systems for the manufacture of electric motors, from the production of stand-alone machines to complex systems, up to the creation of fully automated turnkey lines. As part of the agreements, IMA also signed option contracts for the other 20%; See Note 29 "Business combinations" for further information.
- on 22 October 2021, IMA completed the purchase, from third parties, of the residual 10% of Eurosicma S.p.A., a company already fully consolidated, for an amount of 3,900 thousand euros, paid at the closing. By mutual consent with the counterparty, IMA also closed the previous option contracts;
- on 20 December 2021, IMA signed agreements to buy from third parties 10% of Teknoweb Converting S.r.l., a company already consolidated line-by-line, for an amount of 9,000 thousand euros, to be paid within the first half of 2022. By mutual consent together with the counterparty, IMA also closed out the option contracts previously in place for 40% of the share capital and, as part of the agreements, to sign option contracts for 10%.

The merger by absorption of Telerobot S.p.A., CMRE S.r.l., Transworld Packaging Holding S.p.A. and Luna Investment S.r.l. by the parent company IMA S.p.A. and of Asset Management Service S.r.l. by Tissue Machinery Company S.p.A.

On 14 and 15 October 2021, the merger resolutions for the absorption of the wholly owned subsidiaries Telerobot S.p.A., CMRE S.r.l., Transworld Packaging Holding S.p.A. and Luna Investment S.r.l. by IMA S.p.A., and of Asset Management Service S.r.l. by the subsidiary Tissue Machinery Company S.p.A., its parent, were registered with the competent Company Registers. These mergers, which took place in simplified form and therefore without any share exchanges, increases in share capital or changes in the articles of association of the merging companies, will simplify the corporate structure of the IMA Group and optimise cash flow management.

The mergers were completed in 2021, with effect from 1 January 2022.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2020 for balance sheet items and on figures for the year 2020 for income statement items.

1. Segment information

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

The Group's activities comprise the following operating segments:

<u>Tea, Food & Other</u>

It produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue segment and the production of electric motors, plus related services.

Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
  - overhaul of used machines for processed cheeses and tea and herbs in filter paper bags through the RI Division;
  - machines for food and personal care through the GIMA Division;
  - machines for the coffee sector through the Coffee Division;
  - machines for assembly through the Automation Division;
  - pouch-filling machines through the Flex Pack Division;
  - machines and systems for dosing and packaging cheese in portions and stock cubes through the Corazza division;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors mainly for the automotive sector;
- Benhil GmbH produces machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;
- FASP S.r.l. produces machines and automatic production lines for electric motors;
- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery Co. Ltd. and Delta Systems & Automation Llc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A.U. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Automation Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- Record S.p.A. designs and produces low-medium speed machinery and plants in the flexible packaging sector, known as "flow pack", for the packaging of food and non-food products;
- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);

- Telerobot S.p.A. manufactures machinery for the assembly of plastic materials in the caps and closures sector;
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for the packaging and management of tissue and personal care products.

Pharmaceutical

It makes machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling, cartoning and bag-filling, systems for the production of tablets and capsules and for coating and fluid-bed granulation, for end-of-line equipment as well as related services.

Operations in this sector are mainly carried out by the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe Division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life Division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active Division;
  - end-of-line machines through the BFB Division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
- Thomas Llc produces tablet coating systems for the pharmaceutical industry.

Tobacco packaging

It designs, manufactures and markets machines and systems for tobacco packaging and related services.

Activities in this sector are carried out by the IMA T&T division of the Parent and by Alphamac S.r.l. which designs and produces fluid packaging machines.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2021 and 2020 is shown below:

	2021				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customer	792,428	810,998	84,891	–	1,688,317
Segment operating profit	57,296	89,249	7,369	–	153,914
Net financial income (expense) (**)					(88,819)
Profit (loss) from investments accounted for using the equity method	(812)	1,139	–	55	382
Profit before taxes					65,477
Taxes					(9,383)
Profit for the year					56,094

	2020				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customer	707,078	699,859	83,535	–	1,490,472
Segment operating profit	26,957	105,363	18,067	–	150,387
Net financial income (expense) (**)					(32,982)
Profit (loss) from investments accounted for using the equity method	(53)	3,055	–	733	3,735
Profit before taxes					121,140
Taxes					(31,324)
Profit for the year					89,816

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.

(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenue over the corresponding period of 2020:

in thousands of euros	2021	2020	Change
Tea, Food & Other	792,428	707,078	85,350
Pharmaceutical	810,998	699,859	111,139
Tobacco packaging	84,891	83,535	1,356
Total	**1,688,317**	**1,490,472**	**197,845**

Consolidated revenue in 2021 amounted to 1,688,317 thousand euros, up by 13.3% due to the higher backlog at the beginning of the period and positive order acquisition during it.

Revenue by segment is discussed below:

- the Tea, Food & Other segment recorded strong growth, increasing by 12.1% compared with the previous year, mainly due to the higher backlog at the beginning of the period and the lockdown that characterised March 2020;
- the Pharmaceutical segment shows a significant increase of 15.9%, due to the higher backlog at the beginning of the period and the lockdown which led to a lower production capacity in March 2020;
- the Tobacco segment comes in at 84,891 thousand euros, a slight increase compared with the previous year as a result of more orders acquired for new generation products despite the lower backlog at the beginning of the year.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2021	2020	Change
Tea, Food & Other	57,296	26,957	30,339
Pharmaceutical	89,249	105,363	(16,114)
Tobacco packaging	7,369	18,067	(10,698)
Total	**153,914**	**150,387**	**3,527**

The operating profit in the Tea, Food & Other segment amounts to57,296 thousand euros (7.2% of revenue) versus 26,957 thousand euros in 2020 (3.8% of revenue), after deducting non-recurring charges for 4,286 thousand euros (1,746 thousand euros the previous year), following higher revenue and an improvement in certain businesses compared with the previous year.

Despite the higher revenue, the Pharmaceutical segment recorded a decrease compared with the previous year, turning in an operating profit of 89.249 thousand euros (equal to 11.0% of revenue) compared with105,363 thousand euros (15.1% of revenue) in 2020, after deducting non-recurring charges for 10,965 thousand euros and higher amortisation for 36,228 thousand euros relating to the merger difference allocated to the business.

The operating profit of the Tobacco segment decreased compared with the previous year, coming in at 7,369 thousand euros compared with 18,067 thousand euros in 2020, mainly due to a different product mix, higher research and development costs and higher amortisation of 7,196 thousand euros relating to the merger difference allocated to the business.

The tables below provide other income statement information regarding Group operations by sector:

	2021			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	66,460	66,770	10,458	143,688
Other non-monetary costs (revenues)	12,612	5,912	1,514	20,038

	2020			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	64,496	27,504	2,582	94,582
Other non-monetary costs (revenues)	11,878	6,134	1,075	19,087

The increase in amortisation in the Pharmaceutical and Tobacco Packaging segments reflects the higher amortisation relating to the merger difference allocated to the businesses.

Capital expenditure by operating segment are as follows:

in thousands of euros	2021	2020	Change
Tea, Food & Other	68,915	54,921	13,994
Pharmaceutical	61,262	71,739	(10,477)
Tobacco packaging	2,465	8,047	(5,582)
Total	**132,642**	**134,707**	**(2,065)**

Balance sheet information at 31 December 2021 is shown below:

in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated (*)	Total
	31 December 2021				
Segment operating assets	2,174,352	2,236,636	326,568	–	4,737,556
Investments accounted for using the equity method	9,688	19,491	–	1,413	30,592
Financial assets	–	3,761	–	53,302	57,063
Deferred tax assets					62,662
Income tax receivables					21,370
Cash and cash equivalents					231,727
Total assets					5,140,970

in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
	31 December 2021				
Segment operating liabilities	480,950	457,699	31,790	–	970,439
Borrowings and lease liabilities					1,729,876
Deferred tax liabilities					361,435
Income tax liabilities and other provision for risks					10,431
Total liabilities					3,072,181

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Balance sheet information at 31 December 2020 is shown below:

in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated (*)	Total
	31 December 2020				
Segment operating assets	1,313,126	658,823	68,134	–	2,040,083
Investments accounted for using the equity method	8,630	18,451	–	2,209	29,290
Financial assets	–	3,772	–	74,151	77,923
Deferred tax assets					61,114
Income tax receivables					19,187
Cash and cash equivalents					130,880
Total assets					2,358,477

in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
	31 December 2020				
Segment operating liabilities	434,118	389,849	34,996	–	858,963
Borrowings and lease liabilities					809,427
Deferred tax liabilities					94,925
Income tax liabilities and other provision for risks					14,060
Total liabilities					1,777,375

(*) Not allocated amount relate to investments and financial assets not directly attributable to the operating sectors.

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows.

The information periodically reviewed by the highest operational decision-making level was considered, split into three categories: geographical area, business segment and timing of recognition.

REVENUE BY GEOGRAPHICAL AREA

	2021			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	237,516	212,535	32,675	482,726
Other European countries	112,432	73,916	23,807	210,155
North America	156,886	187,529	3,423	347,838
Asia & Middle East	96,495	163,154	14,206	273,855
Italy	96,535	118,061	10,595	225,191
Other countries	92,564	55,803	185	148,552
Total	792,428	810,998	84,891	1,688,317

	2020			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	166,396	231,835	35,404	433,635
Other European countries	85,095	54,563	6,129	145,787
North America	145,929	121,298	2,244	269,471
Asia & Middle East	107,783	134,496	24,741	267,020
Italy	119,030	100,677	14,304	234,011
Other countries	82,845	56,990	713	140,548
Total	707,078	699,859	83,535	1,490,472

Revenue is allocated according to the geographical area of the invoiced customer.

While keeping a close eye on the situation as it evolves, the Group does not expect to suffer serious repercussions from the Russian-Ukrainian conflict as these markets account for approximately 3.5% of total revenue and 2.3% of the backlog.

The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from European Union countries, excluding Italy, has increased in Germany, France and Poland and decreased in Ireland and Spain;
- sales in other European countries are showing strong growth compared with the previous year, especially in the United Kingdom and Switzerland;
- North America has increased considerably thanks to higher volumes, also because there is essentially no local competition in the Group's sectors of reference;
- in Asia and the Middle East, the trend is in line with the previous year and this market continues to be important as it regularly accounts for 20% of Group sales. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer;
- revenue from other countries reflects a variety of trends with a contraction in Brazil and Algeria and growth in Mexico and Morocco;
- the slight reduction in Italy was due to a lower number of projects compared with the previous year and the supply of production lines for making surgical masks for the Civil Defence, which took place in 2020. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows:

in thousands of euros	31.12.2021	31.12.2020
Italy	3,314,700	1,064,439
European Union (excluding Italy)	76,407	54,827
Other European countries	111,237	48,712
North America	284,082	54,258
Asia & Middle East	69,485	31,419
Other countries	43,061	12,677
Total	**3,898,972**	**1,266,332**

Operations are allocated to the geographical areas in which they are located.

The increase is mainly attributable to the allocation of the surplus value commented on previously.

REVENUE BY BUSINESS CATEGORY

	2021			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	558,280	540,511	57,040	1,155,831
After-Sales	234,148	270,487	27,851	532,486
Total	792,428	810,998	84,891	1,688,317

	2020			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	503,417	465,426	50,996	1,019,839
After-Sales	203,661	234,433	32,539	470,633
Total	707,078	699,859	83,535	1,490,472

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

REVENUE BY TIMING OF RECOGNITION

	2021			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	412,831	308,148	29,550	750,529
Revenue over time	379,597	502,850	55,341	937,788
Total	792,428	810,998	84,891	1,688,317

	2020			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	370,291	296,061	29,428	695,780
Revenue over time	336,787	403,798	54,107	794,692
Total	707,078	699,859	83,535	1,490,472

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time.

The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

2. Property, plant and equipment and right of use assets

PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Land and Building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.2020						
Gross amount	54,614	78,536	36,997	48,051	10,429	228,627
Accumulated depreciation and write-downs	(8,239)	(54,461)	(31,391)	(34,344)	–	(128,435)
Balances at 01.01.2020	**46,375**	**24,075**	**5,606**	**13,707**	**10,429**	**100,192**
Monetary revaluation for hiperinflation	–	262	–	14	8	284
Additions	311	12,360	2,419	4,829	8,835	28,754
Sales and eliminations	(557)	(440)	(20)	(99)	–	(1,116)
Change in scope of consolidation	5,300	27	61	145	–	5,533
Depreciation and write-downs	(1,626)	(6,040)	(2,298)	(4,520)	–	(14,484)
Reclassifications and other changes	(22)	4,281	1,042	109	(5,959)	(549)
Exchange rate difference	(1,086)	(739)	(90)	(223)	(160)	(2,298)
Balances at 31.12.2020	**48,695**	**33,786**	**6,720**	**13,962**	**13,153**	**116,316**
Balances at 01.01.2021						
Gross amount	60,593	92,537	40,000	50,647	13,153	256,930
Accumulated depreciation and write-downs	(11,898)	(58,751)	(33,280)	(36,685)	–	(140,614)
Balances at 01.01.2021	**48,695**	**33,786**	**6,720**	**13,962**	**13,153**	**116,316**
Monetary revaluation for hiperinflation	–	594	–	42	–	636
Additions	1,021	14,123	2,103	7,572	14,572	39,391
Sales and eliminations	–	(329)	(4)	(134)	–	(467)
Change in scope of consolidation	–	270	50	437	–	757
Depreciation	(1,738)	(7,166)	(2,551)	(5,100)	–	(16,555)
Reclassifications and other changes	3,911	5,242	24	1	(9,388)	(210)
Exchange rate difference	713	526	75	203	151	1,668
Balances at 31.12.2021	**52,602**	**47,046**	**6,417**	**16,983**	**18,488**	**141,536**
Gross amount	66,389	114,219	42,508	57,442	18,488	299,046
Accumulated depreciation and write-downs	(13,787)	(67,173)	(36,091)	(40,459)	–	(157,510)
Balances at 31.12.2021	**52,602**	**47,046**	**6,417**	**16,983**	**18,488**	**141,536**

The "Currency revaluation due to hyperinflation" relates to the Argentine subsidiaries IMA MAI S.A.U. and Tecmar S.A.

The increases during the year mainly refer to the capitalisation of plant, machinery and electronic machines and to costs attributable to the building under construction in Parma.

The change in the scope of consolidation reflects the acquisitions during the period as commented on in Note 29.

The reclassifications and other changes mainly reflect the completion of the industrial building attributable to ATOP S.p.A. located in the municipality of Barberino Tavarnelle (Firenze) and of equipment and machinery built internally.

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2021	31.12.2020	31.12.2021	31.12.2020
IMA S.p.A.	3,164	3,164	3,032	2,806
ATOP S.p.A.	151	151	14,177	10,072
Ciemme S.r.l.	780	780	3,510	3,830
Delta Systems & Automation Llc	1,221	1,127	4,545	4,363
Ilapak Inc.	168	155	753	741
Ilapak Italia S.p.A.	763	763	3,318	3,457
Ilapak Sp. Z o.o.	417	420	736	769
Ilapak Verpackungsmaschinen GmbH	115	115	448	464
IMA France Eurl	183	183	317	336
IMA-PG India Pvt. Ltd.	1,871	1,759	1,392	1,374
Record S.p.A.	540	540	4,402	4,640
Società del Sole S.r.l.	2,984	2,977	–	–
Tissue Machinery Company S.p.A.	728	728	2,507	2,588
Other	202	199	178	194
Total	**13,287**	**13,061**	**39,315**	**35,634**

“Other assets” comprise:

in thousands of euros	31.12.2021	31.12.2020
Electronic office machines	9,843	9,193
Office furniture and fittings	5,470	3,111
Vehicles	1,492	1,440
Other	178	218
Total	**16,983**	**13,962**

Assets under construction and advances mainly include charges attributable to the industrial building under construction in Parma by the Parent Company and equipment, plant and machinery under construction.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

Mortgages have been granted on the properties in Castel Guelfo (Bologna), Barberino Tavarnelle (Firenze) and Garbagnate Monastero (Lecco), owned by Tissue Machinery Company S.p.A., ATOP S.p.A. and Record S.p.A. respectively, as collateral for the loans commented on in Note 15.

There are no internal or external elements to suggest that assets have suffered an impairment in value.

RIGHT OF USE ASSETS

The following table provides details of the right of use assets and related changes during the period:

in thousands of euros	Land and Building	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction	Total
Balances at 01.01.2020						
Gross amount	240,269	1,415	75	8,412	14,328	264,499
Accumulated depreciation	(48,632)	(354)	(36)	(2,685)	–	(51,707)
Balances at 01.01.2020	**191,637**	**1,061**	**39**	**5,727**	**14,328**	**212,792**
Monetary revaluation for hiperinflation	85	–	–	–	–	85
Additions	34,120	–	17	3,101	18,726	55,964
Change in scope of consolidation	1,030	–	–	135	38	1,203
Depreciation	(25,524)	(173)	(33)	(2,747)	–	(28,477)
Decreases and other changes	(1,084)	–	–	(287)	1,473	102
Exchange rate difference	(1,977)	–	–	(44)	–	(2,021)
Balances at 31.12.2020	**198,287**	**888**	**23**	**5,885**	**34,565**	**239,648**
Gross amount	268,308	1,284	78	9,910	34,565	314,145
Accumulated depreciation	(70,021)	(396)	(55)	(4,025)	–	(74,497)
Balances at 31.12.2020	**198,287**	**888**	**23**	**5,885**	**34,565**	**239,648**
Monetary revaluation for hiperinflation	114	–	–	–	–	114
Additions	32,128	–	670	2,587	3,337	38,722
Change in scope of consolidation	6,767	–	–	14	–	6,781
Depreciation	(27,393)	(173)	(86)	(2,875)	–	(30,527)
Decreases and other changes	30,992	–	(7)	(128)	(32,872)	(2,015)
Exchange rate difference	2,865	–	–	32	(20)	2,877
Balances at 31.12.2021	**243,760**	**715**	**600**	**5,515**	**5,010**	**255,600**
Gross amount	340,521	1,284	687	10,851	5,010	358,353
Accumulated depreciation	(96,761)	(569)	(87)	(5,336)	–	(102,753)
Balances at 31.12.2021	**243,760**	**715**	**600**	**5,515**	**5,010**	**255,600**

During 2021, right-of-use assets were recognized for a total of 23,882 thousand euros, mainly as a result of Group companies updating existing lease agreements, as well as completion of the property complex in the municipality of Ozzano dell'Emilia (BO) attributable to CMRE S.r.l. and improvements for 14,840 thousand euros, mainly relating to the property for industrial use leased by the Parent Company in Castel San Pietro Terme (BO).

The change in the scope of consolidation reflects the acquisitions of Thomas Llc and FASP S.r.l.

The reclassifications and other changes substantially include the reclassification of the real estate complex located in the municipality of Ozzano dell'Emilia (BO) and attributable to CMRE S.r.l.

The other assets are essentially represented by cars and assets under construction and refer mainly to the real estate complex in Castel San Pietro Terme (BO).

There are no internal or external elements to suggest that right-of-use assets have suffered an impairment in value.

Investments in property, plant and equipment reported in the consolidated cash flow statement include additions in own properties and improvements classified under right-of-use assets.

3. Intangible assets

As commented on previously in the Overview section, the takeover bid for the entire share capital of IMA S.p.A. was concluded in January 2021. In accordance with paragraph 18 of IFRS 3, the business combination resulting from the takeover bid involved the valuation of the assets acquired and the liabilities assumed by the IMA Group at their respective fair values. In this context, the Group identified the fair value of certain intangible assets, which were previously without a value in the Group's consolidated financial statements.

The fair values of the following categories of intangible assets were identified:

- **IMA brand or trademark**: the fair value of this asset was determined by applying the so-called Relief-from-Royalty Method. This consists of estimating the additional costs that would arise if the Company did not have this asset and had to obtain it under licence from third parties. According to this logic, the royalties saved represent the future benefits that this asset brings. The royalty was deduced from market evidence of licensing agreements that can be considered comparable;
- **Development or technology costs**: the fair value of this asset was determined by applying the so-called "profit split" version of the Relief-from-Royalty Method. According to this method, the royalty can be identified as an amount worth between 25% and 33% of the operating income of the perimeter being analysed;
- **Customer relationships**: the fair value of this asset was determined by applying the so-called Multi-Period Excess Earnings Method. This methodology is based on the concept that the company's entire income has to be allocated to the assets that have been identified and, consequently, the income pertaining to the asset being measured can be obtained by deducting the normal remuneration of all the other so-called "contributory assets" from total income, with the difference being the value of the asset in question.

The fair value of the intangible assets represented above was determined with the assistance of a leading consultancy based on the expected results shown in the Group's business plan. The fair value of the assets was also determined with reference to their value that can be allocated to the individual CGUs making up the IMA Group.

As required by paragraph 32 of IFRS 3, the difference between the price paid for the acquisition and the net value of the assets acquired and liabilities assumed was first allocated to the three above categories of intangible assets and for the residual part to the goodwill acquired in the combination.

The intangible assets and the goodwill, determined in this way, were then allocated to the Group's CGUs on the basis of the EBITDA forecast for each CGU in 2023 in the Group's business plan.

The main values allocated to assets and liabilities are detailed in the following table:

in thousands of euros	(A) IMA Group 31.12.2020	Consolidated Sofima Holding 31.12.2020	Allocation	(B) New allocation	(B) - (A) Difference
Brands	53,198	53,198	230,352	283,550	230,352
Development costs	114,611	114,611	157,405	272,016	157,405
Customer relationships	116,611	116,611	592,173	708,784	592,173
Total Intangibles	**284,420**	**284,420**	**979,930**	**1,264,350**	**979,930**
Deferred taxes	(79,493)	(79,493)	(273,261)	(352,754)	(273,261)
Total Intangibles net of deferred taxes	**204,927**	**204,927**	**706,669**	**911,596**	**706,669**
Goodwill	481,741	2,840,272	(706,669)	2,133,603	1,651,862
Total	**686,668**	**3,045,199**	**–**	**3,045,199**	**2,358,531**

The surplus value allocated has been determined as follows:

The intangible assets Brands and Customer relationships, which have an estimated useful life of 20 years, have been classified as "Software, licences, trademarks and other rights".

The intangible asset, Development costs, relates to unpatented technology, which has an estimated useful life of 10 years.

Amortisation and depreciation for the year includes 76,818 thousand euros relating to the allocation of the assets mentioned above and attributable to the Brand for 14,177 thousand euros, Development costs of 27,202 thousand euros and Customer relationships for 35,439 thousand euros.

in thousands of euros	
Cost of the acquisition (43,105,509 IMA Sp.A. shares at a fair value of 68 euros per share)	2,931,175
Shareholders' equity of the IMA Group	572,644
Surplus value / Merger difference	**2,358,531**

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.2020						
Gross amount	311,291	33,873	281,703	478,420	31,235	1,136,522
Accumulated amortization and write-downs	(147,086)	(27,173)	(87,437)	–	–	(261,696)
Balances at 01.01.2020	**164,205**	**6,700**	**194,266**	**478,420**	**31,235**	**874,826**
Monetary revaluation for hiperinflation	–	5	2	–	–	7
Additions	10,130	1,805	8,120	–	16,198	36,253
Decreases	(159)	(139)	(679)	(1,786)	(38)	(2,801)
Changes in scope of consolidation	547	5	32	–	5	589
Acquisition of Record Sp.A.	4,632	–	3,302	–	–	7,934
Acquisition of Alphamac Sr.l.	–	–	–	5,802	–	5,802
Amortization	(30,359)	(2,248)	(17,493)	–	–	(50,100)
Reclassifications and other changes	8,659	–	556	–	(9,215)	–
Exchange rate difference	(182)	(25)	(42)	(695)	(38)	(982)
Balances at 31.12.2020	**157,473**	**6,103**	**188,064**	**481,741**	**38,147**	**871,528**
Balances at 01.01.2021						
Gross amount	332,865	34,971	292,004	481,741	38,147	1,179,728
Accumulated amortization and write-downs	(175,392)	(28,868)	(103,940)	–	–	(308,200)
Balances at 01.01.2021	**157,473**	**6,103**	**188,064**	**481,741**	**38,147**	**871,528**
Effect of mergers	157,405	–	822,525	1,651,862	–	2,631,792
Monetary revaluation for hiperinflation	–	6	1	–	–	7
Additions	7,140	3,681	8,312	–	22,307	41,440
Decreases	–	(80)	(3)	–	–	(83)
Changes in scope of consolidation	–	1	98	–	–	99
Acquisition of Thomas Llc	–	–	–	4,331	–	4,331
Acquisition of FASP Sr.l.	–	–	–	8,758	–	8,758
Amortization	(39,258)	(1,973)	(55,375)	–	–	(96,606)
Reclassifications and other changes	10,611	–	742	–	(11,831)	(478)
Exchange rate difference	204	12	49	284	190	739
Balances at 31.12.2021	**293,575**	**7,750**	**964,413**	**2,146,976**	**48,813**	**3,461,527**
Gross amount	419,942	38,230	1,075,875	2,146,976	48,813	3,729,836
Accumulated amortization and write-downs	(126,367)	(30,480)	(111,462)	–	–	(268,309)
Balances at 31.12.2021	**293,575**	**7,750**	**964,413**	**2,146,976**	**48,813**	**3,461,527**

In addition to the above, development costs mainly refer to unpatented technology with a useful life of between 3 and 15 years.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 60,975 thousand euros (60,211 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is mainly due to the expenses incurred for the protection and extension of patents in other countries and for the purchase of patents by the Parent for 1,600 thousand euros.

"Software, licences, trademarks and other rights" mainly comprise application, management, administrative and technical software, in addition to Brands and Customer lists. The increases during the year mainly concerned the acquisition by IMA S.p.A. of software and licences relating to the sales and marketing, administrative, logistics and technical areas.

The above mentioned assets have been tested for impairment, but no adjustments emerged.

Goodwill comprises the following:

in thousands of euros	31.12.2021	31.12.2020
CGU Pharma	1,011,114	76,026
CGU Tea & Coffee	218,497	29,361
CGU Dairy & Flex	318,902	76,721
CGU Atop & Automation	366,149	256,203
CGU Tissue	69,631	37,628
CGU Tobacco	162,683	5,802
Total	**2,146,976**	**481,741**

Starting from this Annual Financial Report, the management has decided to change the structure of the CGUs, following the same aggregative logic adopted in the context of determining the fair value of intangible assets, as part of the aforementioned business combination resulting from the takeover bid. This change also reflects the way in which monitoring currently takes place for internal management purposes. Therefore, the management further aggregated the previous “CGU Groups”, identifying six new groups of cash flow generating units which therefore represent the new minimum goodwill monitoring unit. The revision of the CGU was carried out in compliance with the accounting principles and guidelines provided by the OIV, Discussion paper, Exposure draft 2019, and was formally approved by the Board of Directors on 15 March 2022.

For information on the amounts of goodwill recognized following the acquisitions of Thomas, included in the Pharma CGU, and of FASP S.r.l., included in the CGU Atop & Automation, amounting to 4,331 thousand euros and 8,758 thousand euros, respectively, please refer to the comments in Note 29 Business Combinations.

As mentioned in the section on "Accounting policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment. The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the CGUs of the Group as represented by the individual divisions and/or business units to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow produced from managing the operations

WACC = Weighted Average Cost of Capital

N = Number of years in the discount period

TV = Terminal Value, i.e. the current value of the cash flows generated after the end of the discount period

FCFn = Free Cash Flow sustainable after the end of the discount period

g = Growth rate of the business beyond the assumed period of the plan

The discount rate used is the Weighted Average Cost of Capital (WACC) and was calculated specifically for each CGU.

The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate).

The cash flows are estimated on the basis of the 2022 budget (approved by the Board of Directors on 15 March 2022) and the 2023-2024 business plan (2023-2026 for the Atop & Automation CGU as the valuation in the E-traction market requires a longer period of time), discussed in the Board of Directors and a "normalized" flow is also calculated for the purpose of calculating the terminal value. These flows are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate g used is zero for the sake of prudence, with the exception of the Atop & Automation CGU where it is equal to 0.52 due to the significant growth expected for the E-traction market. This means that any sensitivity analysis, designed to measure the change in results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to the formation of WACC, would result in better impairment results.

With reference to the values of goodwill at 31 December 2021, the impairment test procedures, conducted in accordance with IAS 36 and applied on the basis of the methodologies and assumptions described above, found the carrying amounts to be fully recoverable, not leading any writedowns. This monitoring was carried out both on the basis of the new CGU aggregation and on the basis of the previous aggregation.

Given the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, a sensitivity analysis was performed on the recoverable value of the individual CGUs, assuming an increase of one percentage point in the component of the discount rate represented by the market risk premium. These sensitivity analyses confirmed the full recoverability of goodwill.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC%	CAGR 2022-2024 Sales%
CGU Pharma	1,011,114	5.44	3.70
CGU Tea & Coffee	218,497	5.21	3.90
CGU Dairy & Flex	318,902	5.11	4.80
CGU Atop & Automation	366,149	5.10	7.40
CGU Tissue	69,631	5.56	4.00
CGU Tobacco	162,683	5.21	3.00
	2,146,976		

(*) The CAGR of the Atop & Automation CGU refers to the period 2022-2026.

Management has formalised separate impairment tests, indicating:

- identification of the intangibles and their allocation to the CGU;
- the business plan of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

Assets under development and advances mainly relate to development projects in progress and new technologies attributable to the Parent Company (38,579 thousand euros) and concern new products that were not previously available and are targeted at new market segments. Assets under development have been tested for impairment, but no adjustments emerged.

4. Investments accounted for using the equity method

in thousands of euros	31.12.2021	31.12.2020
Associates:		
Alfa S.r.l.	5,128	4,000
Amherst Stainless Fabrication Llc	450	409
A.P.M. Assembly Packaging Machinery S.r.l.	347	343
B.C. S.r.l.	3,841	3,488
Bacciottini F.lli S.r.l.	1,460	1,384
Bolognesi S.r.l.	1,453	1,417
Doo Officina-Game East Vrsac	498	448
I.E.M.A. S.r.l.	2,000	2,002
IMA Dairy & Food Holding GmbH	4,560	4,560
LA.CO S.r.l.	820	507
Logimatic S.r.l.	1,114	1,353
Meccanica Sarti S.r.l.	1,305	1,277
MORC2 S.r.l.	1,978	1,959
OLTRE S.r.l.	311	285
O.M.S. Officina Meccanica di Sonico S.r.l.	1,308	1,224
SIL.MAC. S.r.l.	1,878	1,809
STA.MA S.r.l.	253	223
Talea S.r.l.	–	211
Sirio S.p.A. Associazione in partecipazione	1,348	1,998
Other associates	540	393
Total	**30,592**	**29,290**

Below is a breakdown:

At the reporting date, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company and their carrying value in its financial statements, recognizing this difference in the income statement.

The summary data was prepared using the financial statements at 31 December 2020 of the Italian associated companies prepared in accordance with the national accounting standards; on the basis of analyses, the adjustments to align these financial statements with international accounting standards would not have led to significant differences.

The Group does not have any associated companies that are individually significant. Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The Group's share of the aggregate amount of profit from associated companies accounted for using the equity method amounts to 382 thousand euros (3,735 thousand euros the previous year).

During 2021 the subsidiary Packaging Manufacturing Industry S.r.l. acquired 30% of IEMATECH S.r.l. based in Brivio (LC) and active in the field of electromechanical, electronic and electrical plant engineering, as well as IT: it also sold its 20% stake in Talea S.r.l. for 290 thousand euros.

Brief information about transactions with associates is given below:

- Alfa S.r.l. is active in the planing and production of projects, machines, plants and software used in production by the chemical industry;
- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- A.P.M. Assembly Packaging Machinery S.r.l. operates in the assembly, production and sale of mechanical parts, machinery and systems in general;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- IMA Dairy & Food Holding GmbH, through its subsidiaries, looks after the design, construction and sale of automatic machines and integrated systems, to form, fill and seal food products, particularly in the dairy sector;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems;
- OLTRE S.r.l. is active in the provision of consultancy services for the mechanical sector;
- OMS Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines.

Other investments in associates consist of the following:

- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- Masterpiece S.r.l. operates in the field of mechanical engineering;
- BLQ S.r.l., CAIMA S.r.l., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l., OMEGA S.r.l. and S.I.Me. S.r.l.

During 2021 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies for a total of 1,155 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., Masterpiece S.r.l., MORC 2 S.r.l., SIL.MAC. S.r.l. and STA.MA. S.r.l.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2021:

in thousands of euros	31.12.2021	31.12.2020
Associates:		
Alfa S.r.l.	3,801	3,801
A.P.M. Assembly Packaging Machinery S.r.l.	122	122
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
I.E.M.A. S.r.l.	295	295
LA.CO S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC2 S.r.l.	1,401	1,401
OLTRE S.r.l.	237	237
O.M.S. Officina Meccanica di Sonico S.r.l.	167	167
SILMAC S.r.l.	131	131
Talea S.r.l.	–	145
Total	**8,131**	**8,276**

As regards guarantees granted to associated companies, please read Note 30.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2021	31.12.2020
Non-current:		
· Financial assets measured at amortized cost	34,070	38,876
· Financial assets measured at FVOCI	6,624	6,642
· Financial assets measured at FVPL	439	439
	41,133	**45,957**
Current:		
· Financial assets measured at amortized cost	11,216	13,380
· Financial assets measured at FVOCI	4,714	18,586
· Financial assets measured at FVPL	–	–
	15,930	**31,966**
Total	**57,063**	**77,923**

The Group essentially holds financial assets at amortised cost mainly represented by financial receivables and financial assets valued at FVOCI, made up principally of investments in other companies.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature.

At 31 December 2021, the Group does not have any financial assets held for trading purposes.

Non-current financial assets measured at amortised cost at 31 December 2021 mainly refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH of 32,000 thousand euros (36,000 thousand euros at 31 December 2020). There are no critical issues that preclude the recoverability of these financial assets.

Non-current financial assets measured at FVOCI include investments in other companies.

Current financial assets measured at amortised cost essentially comprise loans granted by the Parent Company and Packaging Manufacturing Industry to certain associates totalling 10,877 thousand euros.

Current financial assets valued at FVOCI essentially include deposits of the subsidiary IMA-PG India Pvt. Ltd. for 4,635 thousand euros, classified in level 3 of the fair value hierarchy.

Movements in financial assets break down as follows:

in thousands of euros	2021	2020
Opening balance	77,923	68,003
Increases	4,247	15,660
Profit/(losses) recognized in OCI	2,001	104
Profit/(losses) recognized in PL	5,265	19
Decreases	(32,656)	(5,478)
Exchange rate difference	283	(385)
Closing balance	**57,063**	**77,923**

In June 2021, the Parent Company sold the following investment funds: Charme III, Fund Italian Strategy, Mandarin Capital Partners II SCA SICAR and Mandarin Capital Partners III SCA SICAF-RAIF to related third parties at fair value. These funds were previously classified as current financial assets valued at FVOCI. The selling price of 20,372 thousand euros was paid immediately, generating a total net capital gain of 5,265 thousand euros.

6. Receivables from others

This item mainly includes security deposits of various kinds, a receivable relating to commissions due in coming years on loan agreements and a contract stipulated by the Parent with Unipol Assicurazioni S.p.A. to set up a provision for a director's severance indemnity.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2021	Liabilities 31.12.2021	Assets 31.12.2020	Liabilities 31.12.2020
Interest rate hedging instruments - cash flow hedges	–	1,727	5	6,978
Exchange rate hedging instruments - cash flow hedges	239	1,026	435	103
Total	**239**	**2,753**	**440**	**7,081**

INTEREST RATE DERIVATIVES

At 31 December 2021 the amount of 1,634 thousand euros in liabilities represents the fair value of the derivative contracts hedging interest rate risk entered into by CMRE S.r.l. with a leading credit institution, maturing in 2039, on a nominal value of 26.5 million euros.

Furthermore, the residual amount of 93 thousand euros in liabilities represents the fair value of the derivative contracts to hedge interest rate risk stipulated by the Parent Company and Tissue Machinery Company S.p.A. on a total nominal value of 5.7 million euros.

Note that in 2021, as IMA S.p.A. repaid the "US Private Placement" bond, opened in 2013, and other medium-term bank loans covered by interest rate risk, it paid off the related hedges.

EXCHANGE RATE DERIVATIVES

For the disclosure requirements of IFRS 7.24A, it should be noted that as regards exchange rate derivatives, only forward contracts with 100% effectiveness are stipulated, as per the Group Policy. The other information requested is shown below.

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2021, the amounts of 239 thousand euros in assets and 1,026 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange risk hedging instruments amounts to 54.7 million US dollars, 53.0 million Chinese yuan, 10.6 million Swiss francs and 306.7 million Japanese yen (25.5 million US dollars and 78.9 million Chinese yuan at 31 December 2020).

All foreign currency derivatives at 31 December 2021 mature within 12 months.

8. Deferred tax assets and liabilities

At 31 December 2021 , the deferred tax asset of 62,662 thousand euros (61,114 thousand euros at 31 December 2020), mainly relates to taxes recognized in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions; deferred tax liabilities amount to 361,435 thousand euros (94,925 thousand euros at 31 December 2020) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2021	31.12.2020
Opening balance at the beginning of the year	(33,811)	(50,474)
Effect of mergers	(273,261)	–
Credited/(Charged) to P.L	27,049	17,418
Credited/(Charged) to equity	(14,553)	636
Change in scope of consolidation	593	(2,065)
Exchange rate difference and other changes	(4,790)	674
Net amount at the end of the year	**(298,773)**	**(33,811)**

As commented on previously in Note 3 Intangible assets, the takeover bid for the entire share capital of IMA S.p.A. was concluded in January 3. In accordance with paragraph 18 of IFRS 3, the business combination resulting from the takeover bid involved the valuation of the assets acquired and the liabilities assumed by the IMA Group at their respective fair values. In this context, the Group identified the fair value of some intangible assets, previously without a value in the Group's consolidated financial statements, and recognised the related deferred tax liabilities for 273,261 thousand euros.

The utilization of the period, equal to 21,432 thousand euros, relates to the tax effects of the amortisation of intangible assets during the year.

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.2020	27,302	7,121	(95,957)	643	2,879	7,538	(50,474)
Effect on PL	(961)	1,699	10,702	–	–	5,978	17,418
Effect on equity	–	–	–	249	387	–	636
Change in scope of consolidation	175	347	(2,603)	–	13	3	(2,065)
Exchange rate difference and other changes	(303)	(209)	422	4	(9)	769	674
Balances at 31.12.2020	**26,213**	**8,958**	**(87,436)**	**896**	**3,270**	**14,288**	**(33,811)**
Effect of mergers	–	–	(273,261)	–	–	–	(273,261)
Effect on PL	1,674	(2,325)	27,945	–	–	(245)	27,049
Effect on equity	–	–	–	(321)	(748)	(13,484)	(14,553)
Change in scope of consolidation	192	373	–	–	28	–	593
Exchange rate difference and other changes	186	187	(2,746)	(1)	23	(2,439)	(4,790)
Balances at 31.12.2021	**28,265**	**7,193**	**(335,498)**	**574**	**2,573**	**(1,880)**	**(298,773)**

"Other" mainly includes deferred tax assets relating to the "step-up" of assets in 2012 and the elimination of unrealized intra-group profits, as well as the deferred taxes associated with the non-interest bearing loan reserve generated following the discounting of the loan to Sofima PIK S.p.A.

On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

It should be noted that at the reporting date, the amount of unused tax losses for which deferred tax assets have not been recognized amount to 6,767 thousand euros (4,730 thousand euros at 31 December 2020).

9. Inventories

Below is a breakdown:

	31.12.2021			31.12.2020		
in thousands of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	105,087	(16,755)	88,332	85,066	(14,146)	70,920
Work in progress and semifinished goods	314,411	(47,725)	266,686	307,932	(37,896)	270,036
Finished products and goods for resale	18,125	(4,278)	13,847	16,901	(3,429)	13,472
Total	**437,623**	**(68,758)**	**368,865**	**409,899**	**(55,471)**	**354,428**

At 31 December 2021 the inventories attributable to Thomas Llc and FASP S.r.l., both companies acquired during the year, amount to a total of 5,780 thousand euros.

The increase in inventories since 31 December 2020 mainly reflects the size of the backlog at the end of the year.

Movements in the impairment provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2020	**57,759**
Net provisions (uses)	(2,889)
Change in scope of consolidation	1,123
Exchange rate difference	(522)
Balances at 31.12.2020	**55,471**
Net provisions (uses)	11,862
Change in scope of consolidation	713
Exchange rate difference	712
Balances at 31.12.2021	**68,758**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of inventories attributable to business combinations, as commented in Note 29.

10. Trade and other receivables and contract assets

TRADE AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2021	31.12.2020
Trade receivables	197,362	193,307
Advances to suppliers	24,275	30,042
Tax receivables	15,213	19,680
Deferred costs	11,106	11,376
Other receivables	9,351	6,424
Total	**257,307**	**260,829**

TRADE RECEIVABLES

Trade receivables include customer receivables of 185,117 thousand euros (176,801 thousand euros at 31 December 2020) and trade receivables from associates of 12,245 thousand euros (16,506 thousand euros at 31 December 2020).

At 31 December 2021 , trade receivables attributable to business combinations carried out during the year came to a total of 4,292 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 17,005 thousand euros (18,724 thousand euros at 31 December 2020).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2021	2020
Opening balance	**18,724**	**19,411**
Effect on PL	1,590	1,020
Uses	(3,516)	(1,609)
Change in scope of consolidation	52	47
Exchange rate difference and other	155	(145)
Closing balance	**17,005**	**18,724**

Customer receivables falling due beyond 12 months amounted to 3,654 thousand euros (3,168 thousand euros at 31 December 2020).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

There are no significant financial components or rights to make returns.

Receivables assigned without recourse that had not yet fallen due at 31 December 2021 amounted to around 49,726 thousand euros (61,972 thousand euros at 31 December 2020) of which 34,869 thousand euros is assigned to factoring companies and 14,857 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 65,841 thousand euros (100,856 thousand euros in 2020). The requirements for eliminating these receivables exist in accordance with IFRS 9.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	> 12 months	Total
31.12.2021				
Gross trade receivables	130,155	46,685	25,282	202,122
Bad debt provision	(1,643)	(1,653)	(13,709)	(17,005)
Net trade receivables	**128,512**	**45,032**	**11,573**	**185,117**
31.12.2020				
Gross trade receivables	131,721	45,087	18,717	195,525
Bad debt provision	(1,409)	(1,355)	(15,960)	(18,724)
Net trade receivables	**130,312**	**43,732**	**2,757**	**176,801**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient.

In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group.

The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2021 these relate to advances paid to suppliers for goods destined to production of 16,164 thousand euros (19,951 thousand euros at 31 December 2020) and services of 8,111 thousand euros (10,091 thousand euros at 31 December 2020).

This item also includes advances to associates of 3,796 thousand euros (5,561 thousand euros at 31 December 2020).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

CONTRACT ASSETS

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2021	31.12.2020
Contract assets related to contract works	570,940	475,786
Advances received	(324,151)	(281,799)
Total	**246,789**	**193,987**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2021 amounted to 856,986 thousand euros (737,302 thousand euros in 2020).

The net increase in trade and other receivables and contractual assets reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to the merger of Sofima Holding S.p.A. and business combinations, as commented on in Note 29.

11. Income tax receivables and payables

At 31 December 2021 income tax receivables and payables amount to 21,370 thousand euros and 9,856 thousand euros (19,187 thousand euros and 13,487 thousand euros respectively at 31 December 2020).

The following companies form part of the domestic tax group for 2021 with SOFIMA as the consolidating company and Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., Asset Management Service S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l., Telerobot S.p.A. and Tissue Machinery Company S.p.A. as the consolidated companies.

At 31 December 2021 receivables from SOFIMA amount to 15,398 thousand euros (receivables for 10,469 thousand euros at 31 December 2020).

12. Cash and cash equivalents

This item breaks down as follows:

in thousands of euros	31.12.2021	31.12.2020
Bank current accounts	225,466	126,407
Deposits	5,853	4,038
Cheques and cash	408	435
Total	**231,727**	**130,880**

The amount of cash and cash equivalents at 1 January 2021 attributable to the companies merged, Sofima Holding S.p.A. and IMA BidCo S.p.A., came to a total of 755,819 thousand euros, mainly used to pay off the debt of 799,310 thousand euros on completion of the acquisition of IMA's shares.

Starting from the third quarter of 2021, a programme was implemented to concentrate the cash of some Italian subsidiaries in a master account held by IMA S.p.A., using the zero balance method. The same cash management model was used between IMA Life North America Inc. and some American companies of the Group. Such cash pooling arrangements are designed to optimise any excess liquidity at the companies participating in the scheme.

For a better understanding of the trend in net financial debt, reference should be made to Note 15.

13. Equity attributable to equity holders of the parent

SHARE CAPITAL, SHARE PREMIUM RESERVE AND TREASURY SHARES

The share capital at 31 December 2021, 22,471 thousand euros, is IMA's issued share capital (fully subscribed and paid up) and is made up of 43,105,509 ordinary shares (43,212,509 shares at 31 December 2020) without par value:

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2020	43,106	22,471	122,818	(5,589)
Capital increases	–	–	–	–
Purchase and sale of treasury shares	–	–	–	–
Balance at 31.12.2020	**43,106**	**22,471**	**122,818**	**(5,589)**
Capital increases	–	–	–	–
Cancellation of treasury shares	–	–	(5,589)	5,589
Balance at 31.12.2021	**43,106**	**22,471**	**117,229**	**–**

At 31 December 2021 IMA S.p.A. does not have treasury shares (107,000 treasury shares held at 31 December 2020, equal to 0.248% of its share capital).

The Shareholders' Meeting of 8 April 2021 approved the proposal to eliminate the par value of the shares issued by the Parent Company and the proposal to cancel the treasury shares held by it. The share capital was not reduced as it was represented by shares with no par value, while the negative reserve for treasury shares was eliminated and the share premium reserve was reduced by an amount of 5,589 thousand euros.

Fair value reserve

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2020	**(4,273)**
Financial assets at FVOCI	
Measurement at fair value	104
Fair value - tax effect	(265)
Cash flow hedges/Hedging instruments	
Measurement at fair value	(1,459)
Fair value - tax effect	346
Realization recognized in revenue from contracts with customer	(545)
Realization recognized in costs	(277)
Realization recognized in financial income and expense	126
Tax effect - realization recognized in PL	168
Balance at 31.12.2020	**(6,075)**
Financial assets at FVOCI	
Measurement at fair value	2,001
Realization recognized in financial income and expense	(4,989)
Fair value - tax effect	717
Cash flow hedges/Hedging instruments	
Measurement at fair value	190
Fair value - tax effect	(46)
Realization recognized in revenue from contracts with customer	101
Realization recognized in costs	(320)
Realization recognized in financial income and expense	4,355
Tax effect - realization recognized in PL	(992)
Balance at 31.12.2021	**(5,058)**

The change in financial assets at FVOCI is attributable to the reclassification to the income statement of the cumulative change in fair value previously recognized, resulting from the sale of the investment funds to third parties, as commented on in Note 5.

The change in hedging instruments mainly reflects the extinction of the "US Private Placement" bond, taken out in 2013, and other medium-term bank loans hedged against interest rate and exchange rate risk.

Other reserves and retained earnings

The change of 812,306 thousand euros reflects the effect of the mergers that took place in the period and corresponds to the difference between the consolidated equity of Sofima Holding S.p.A. of 1,384,950 thousand euros and the consolidated equity of the IMA Group, of 572,644 thousand euros at the effective date of the mergers.

The increases for the period are also attributable for 610,385 thousand euros to the payment made by the Sole Shareholder Sofima PIK and for 91,716 thousand euros to allocation of the prior year's result.

Furthermore, as a consequence of the merger of Sofima Holding S.p.A. with IMA S.p.A., non-interest bearing financial payables were recognized towards Sofima PIK S.p.A. at a discounted value of 42,699 thousand euros, net of the tax effect of 13,484 thousand euros, in the Non-interest bearing loan reserve, part of Other reserves.

Lastly, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2020	**(9,504)**
Change in scope of consolidation	(38)
Actuarial value	(3,037)
Tax effect	394
Exchange rate difference and other changes	37
Balance at 31.12.2020	**(12,148)**
Change in scope of consolidation	(92)
Actuarial value	4,867
Tax effect	(762)
Exchange rate difference and other changes	(372)
Balance at 31.12.2021	**(8,507)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentina is considered a country operating in a situation of hyperinflation, as commented in the section entitled "Translation of foreign currency balances". In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the balance sheet of IMA MAI S.A.U. and Tecmar S.A. have been remeasured by applying the general consumer price index of historical data. In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2020 is shown as a contra-entry to equity reserves for 2,620 thousand euros;
- the effect of remeasuring these non-monetary items, the equity items and the income statement components recorded in 2021 was recognized under financial expense for 740 thousand euros in Notes 26.

14. Non-controlling interests

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling shareholders are indicated below:

		31 December 2021		31 December 2020	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
ATOP S.p.A.	Italy	100%	–	90.98%	9.02%
ATOP (Shanghai) Electrical Equipment Co. Ltd.	PRC	100%	–	90.98%	9.02%
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Eurotekna S.r.l.	Italy	100%	–	85.71%	14.29%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Petroncini Impianti S.p.A.	Italy	80%	20%	80%	20%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	97%	3%	70%	30%
Record S.p.A.	Italy	100%	–	90.82%	9.18%
Teknoweb Converting S.r.l.	Italy	80%	20%	100%	–
Teknoweb N.A. Llc	USA	60%	40%	75%	25%
Tekno NA Inc.	USA	80%	20%	100%	–
Transworld Packaging Holding S.p.A.	Italy	100%	–	81%	19%

For further information, see the list of equity investments provided in section H of the notes and the section entitled "Group Structure".

On 31 May 2021 IMA acquired 9.016% of the share capital of ATOP S.p.A. from third parties; the purchase cost includes the 19,045 thousand euros paid in June 2021 and 20,712 thousand euros due to be paid by April 2022. The percentage attributable to the Group has therefore reached 100%; this percentage includes a put & call option with the founders of the company equal to approximately 6.5% of the capital.

Furthermore, on 23 June 2021 IMA acquired the remaining 19% of the share capital of Transworld Packaging Holding S.p.A. from related parties for 19,000 thousand euros, thus bringing its stake in the company to 100%. Transworld Packaging Holding S.p.A. controls eleven companies, either directly or indirectly.

Note that during 2021, following the operations carried out on the share capital, partially subscribed by third parties, IMA's interest in Pharmasiena Service S.r.l. came to 97% and that the subsidiary Eurosicma S.p.A. acquired the residual 14.29% interest in Eurotekna S.r.l.

On 20 December 2021, IMA signed agreements to buy from third parties 10% of Teknoweb Converting S.r.l., a company already consolidated line-by-line, for an amount of 9,000 thousand euros, to be paid within the first half of 2022. By mutual consent together with the counterparty, IMA also closed out the option contracts previously in place for 40% of the share capital and, as part of the agreements, to sign option contracts for 10%.

The IMA Group does not have any subsidiaries with significant minority interests at 31 December 2021.

15. Borrowings and lease liabilities

BORROWINGS

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 58,943 thousand euros (478,587 thousand euros at 31 December 2020), bonds of 1,256,591 thousand euros (147,255 thousand euros at 31 December 2020) and amounts due to other lenders of 216,331 thousand euros (867 thousand euros at 31 December 2020).

At 31 December 2021 , the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

As mentioned previously, the reverse merger by absorption of IMA BidCo S.p.A. and Sofima Holding S.p.A. by IMA S.p.A. took effect for accounting purposes from 1 January 2021. The reorganization forms part of the wider acquisition by a number of funds managed by BC Partners LLP of an equity investment in SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. As part of this operation, the following were signed:

- two high yield bonds, issued on 29 December 2020, regulated by the law of the State of New York, for a total principal of 1.28 billion euros, made up of a fixed-rate bond of 830.0 million euros and a floating-rate bond of 450.0 million euros;
- a super senior revolving contract, under which the lending banks undertook to make loans available to IMA for a total of 150.0 million euros to finance the general cash needs of the Group;
- a super senior guarantee facility contract, under which the lending banks undertook to make available to IMA a credit line of 250.0 million euros for bank guarantees in favour of IMA and its subsidiaries.

After the delisting and using part of the funds obtained from Sofima Holding S.p.A. through the bond issue of 29 December 2020, IMA S.p.A. proceeded to repay the "US Private Placement" of 2013 and the bonds issued in 2014 and 2019, as well as other medium-term bank loans.

PAYABLES TO BANKS

Payables to banks break down as follows:

in thousands of euros	31.12.2021	31.12.2020
Non-current:		
· Applied research and technological innovation loans	4,121	3,244
· Other loans	4,241	341,712
	8,362	**344,956**
Current:		
· Current accounts	205	7,572
· Advances on domestic transactions (Italy)	–	1,436
· Advances on export transactions	45,900	88,626
· Advances on export transactions to be carried out	–	262
· Applied research and technological innovation loans	955	1,346
· Other loans	3,521	34,389
	50,581	**133,631**
Total	**58,943**	**478,587**

Applied research and technological innovation loans

During the year, instalments of 1,672 thousand euros were paid regularly by the Parent as they fell due and new loans of 2,158 thousand euros were received.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise advance repayments of 360,000 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2021	31.12.2020
Due within 1 year	50,581	133,631
Due from 1 to 5 years	7,274	343,005
Due beyond 5 years	1,088	1,951
Total	**58,943**	**478,587**

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2021	31.12.2020
Euro	10,571	380,223
US dollar	–	–
Other	2,267	468
Total	**12,838**	**380,691**

Mortgages have been granted on the properties of Castel Guelfo (BO), Barberino Tavarnelle (FI) and Garbagnate Monastero (LC) owned by Tissue Machinery Company S.p.A., ATOP S.p.A. and Record S.p.A. against loans for 1,235 thousand euro, 2,113 thousand euros and 104 thousand euros, respectively.

Interest rates on financial payables are on average less than 5% (less than 5% also in 2020).

At 31 December 2021 the Group had around 520 million euros of unutilised borrowing facilities (around 568 million euros at 31 December 2020).

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans, including the bond, as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables of around 315 million euros.

Bonds

On 29 December 2020, Sofima Holding S.p.A., a company absorbed through a reverse merger by IMA S.p.A., with effect for accounting purposes from 1 January 2021, issued a guaranteed senior bond loan, consisting of guaranteed senior bonds at a floating rate for 450 million euros maturing in 2028 and senior bonds guaranteed at a fixed rate for 830 million euros maturing in 2028, for a total amount of principal of 1,280 million euros (the Bonds). These Bonds, offered exclusively to qualified investors, are governed by the law of the state of New York, listed on the Official List of the Luxembourg Stock Exchange and admitted to the Euro MTF Market. Interest on the variable-rate portion is based on the 3-month Euribor (subject to a floor of 0.0%) plus an annual margin of 4%, to be paid quarterly, while on the fixed-rate portion it is set at 3.75% per annum, to be paid every six months. The issue, which took place on 29 December 2020, was carried out at a price equal to 99.75% of the nominal value for the variable-rate portion and 100% of the nominal value for the fixed-rate portion. The Bonds are backed by guarantees, including the pledge on the shares representing 100% of the capital of IMA S.p.A.

Lastly, as mentioned previously, during the 2021, the Parent Company repaid early the non-convertible bond placed with US institutional investors in 2013 ("US Private Placement"), and the bonds issued in 2014 and 2019.

At 31 December 2021 bonds have a balance of 1,256,591 thousand euros and a nominal redemption value of 1,280,000 thousand euros.

Bonds are made up of:

in thousands of euros	31.12.2021	31.12.2020
Non-current portion	1,244,627	99,971
Current portion	11,964	47,284
Total book value	**1,256,591**	**147,255**

PAYABLES TO OTHER LENDERS

The item includes non-interest bearing payables to the parent Sofima PIK for 215,940 thousand euros, current payables to factoring companies for 88 thousand euros (603 thousand euros at 31 December2020) and payables to others for 303 thousand euros (264 thousand euros at 31 December2020).

The total amount of financial payables to Sofima PIK S.p.A. includes the discounted residual debt of 187,290 thousand euros, maturing in 2028, for the sale of 3,529,412 shares of IMA S.p.A. to Sofima Holding S.p.A. at the price of 68 euros per share, which took place in 2020, and the residual loan of 28,650 thousand euros to Sofima Holding S.p.A. As mentioned previously, the reverse merger of Sofima Holding S.p.A. with IMA S.p.A. took effect for accounting purposes from 1 January 2021.

LEASE LIABILITIES

The item breaks down as follows:

in thousands of euros	31.12.2021	31.12.2020
Non-current lease liabilities	172,482	158,572
Current lease liabilities	25,529	24,146
Total	**198,011**	**182,718**

Lease liabilities are analysed by maturity as follows:

in thousands of euros	31.12.2021	31.12.2020
Due within 1 year	25,529	24,146
Due from 1 to 5 years	83,657	80,669
Due beyond 5 years	88,825	77,903
Total	**198,011**	**182,718**

Lease liabilities essentially include property leases.

CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The changes that affected the main liabilities deriving from financing activities are as follows:

in thousands of euros	Applied research loans	Other loans	Lease liabilities	Bonds	Total
Balances at 01.01.2020	**6,641**	**403,845**	**163,246**	**152,406**	**726,138**
Change in scope of consolidation	–	1,010	1,154	–	2,164
Granting	–	14,351	–	–	14,351
Repayment	(2,061)	(43,593)	–	(5,229)	(50,883)
Other net changes	10	488	18,318	78	18,894
Balances at 31.12.2020	**4,590**	**376,101**	**182,718**	**147,255**	**710,664**
Effect of mergers	–	268,917	–	1,234,574	1,503,491
Change in scope of consolidation	–	1,376	6,695	–	8,071
Granting	2,158	5,772	–	–	7,930
Repayment	(1,672)	(376,778)	–	(145,687)	(524,137)
Other net changes	–	(51,686)	8,598	20,449	(22,639)
Balances at 31.12.2021	**5,076**	**223,702**	**198,011**	**1,256,591**	**1,683,380**

The other net changes in borrowings include the discounting of the financial debt to Sofima PIK S.p.A.

The other net changes in liabilities for leased assets mainly reflect the opening of new lease contracts, net of early contract termination and decreases of 24,071 thousand euros.

Increase or (decrease) in other financial payables in the cash flow statement mainly include the change in export advances, current accounts payable and liabilities for leased assets.

NET FINANCIAL DEBT

Net financial debt, an alternative performance indicator, is broken down as follows:

in thousands of euros	31.12.2021	31.12.2020
A. Cash and cash equivalents	(231,727)	(130,880)
B. Current financial assets measured at amortized cost	(11,216)	(13,380)
C. Current financial assets measured at FVOCI	(4,714)	(18,586)
D. Total current financial assets and cash equivalents (A) + (B) + (C)	**(247,657)**	**(162,846)**
E. Current payables to banks	50,581	133,631
F. Current portion of bonds	11,964	47,284
G. Current lease liabilities	25,529	24,146
H. Current payables to other lenders	188	653
I. Current financial debt (E) + (F) + (G) + (H)	**88,262**	**205,714**
J Net current financial debt (D) + (I)	**(159,395)**	**42,868**
K. Non-current payables to banks	8,362	344,956
L. Non-current portion of bonds	1,244,627	99,971
M. Non-current lease liabilities	172,482	158,572
N. Non-current payables to other lenders	216,143	214
O. Non-current financial assets measured at amortized cost	(34,070)	(38,876)
P. Net non-current financial debt (K) + (L) + (M) + (N) + (O)	**1,607,544**	**564,837**
Q. Net financial debt (J) + (P)	**1,448,149**	**607,705**

Total non-current financial assets differs from that reported in the statement of financial position as it does not include equity interests in other companies for 7,063 thousand euros. For further information on the breakdown of the items in net financial debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 123,241 thousand euros (106,224 thousand euros at 31 December 2020), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. For further information please read the section entitled Financial risk management.

Net financial debt at the end of the period amounts to 1,448,149 thousand euros compared with 607,705 thousand euros at 31 December 2020. The increase derives mainly from the bond issued on 29 December 2020 by Sofima Holding S.p.A., the company absorbed by IMA S.p.A. through a reverse merger with effect for accounting purposes from 1 January 2021 and non-interest bearing payables of 215,940 thousand euros owed to the parent Sofima PIK S.p.A.

In addition to the above, the net financial debt at 31 December 2021 absorbed investments made during the year in majority shareholdings in Thomas and FASP and minority interests in ATOP, Transworld, IMA MAI and Eurosicma for approximately 50 million euros. This result is due to the Group's strong cash generation, confirming once again its effective management of net working capital.

16. Employee defined benefit liabilities

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2020	**40,555**
Service cost	993
Financial charges	(72)
Net actuarial losses (gains) recognized during the year	3,018
Change in scope of consolidation	634
Benefit paid out during the year	(2,212)
Exchange rate difference	(76)
Balance at 31.12.2020	**42,840**
Service cost	780
Financial charges	108
Net actuarial losses (gains) recognized during the year	(4,893)
Change in scope of consolidation	527
Benefit paid out during the year	(3,067)
Exchange rate difference	285
Balance at 31.12.2021	**36,580**

The change in scope of consolidation includes the defined benefit plans of FASP S.r.l.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2021	31.12.2020
Italy	24,185	25,673
Germany	5,735	6,285
Switzerland	4,447	8,928
France	462	354
North America	948	806
Other countries	803	794
Total	**36,580**	**42,840**

The following economic-financial assumptions were adopted in relation to the Italian companies:

	31.12.2021	31.12.2020
Annual discount rate	0.81%	0.29%
Annual inflation rate	1.20%	1.00%
Annual rate of increase of total compensation	2.50%	2.50%
Annual rate of increase of severance indemnity	2.40%	2.25%

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancies: those determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	2,278
Fair value of plan assets	(1,915)
Net defined benefit liabilities at 31 December 2020	**363**
Present value of defined benefit obligations	2,546
Fair value of plan assets	(2,050)
Net defined benefit liabilities at 31 December 2021	**496**

The changes in in the present value of the obligation is the following:

in thousands of euros	2021	2020
Opening balance	2,278	2,478
Financial expense	95	97
Actuarial losses (gains)	34	19
Severance payments made during the year	(53)	(105)
Exchange rate difference	192	(211)
Present value of defined benefit obligations	**2,546**	**2,278**
Opening balance	1,915	1,926
Return on plan assets	(61)	209
Severance payments made during the year	(53)	(105)
Exchange rate difference and other changes	249	(115)
Fair value of plan assets	**2,050**	**1,915**

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2021 was negative, equal to -2.97%.

The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; sensitivity analyses have therefore been performed for the Italian companies versus severance indemnities at 31 December 2021 of 24,075 thousand euros.

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	22,405	24,682	23,775	23,229	22,960	24,196

The contributions expected to be made in future years in respect of the obligations of defined benefit plans of Italian companies involve the following payments:

in thousands of euros	2021	2020
Within 1 year	1,391	1,516
From 1 to 5 years	5,201	5,368
From 5 to 10 years	10,168	9,429
Total expected payments italian companies	**16,760**	**16,313**

17. Provisions for risks and charges

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2020	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2021
Non-current:						
Agency termination indemnities	3,499	11	(511)	13	–	3,012
Other provisions	1,152	99	(52)	–	(22)	1,177
	4,651	**110**	**(563)**	**13**	**(22)**	**4,189**
Current:						
Product guarantee provision	31,418	7,961	(2,071)	190	891	38,389
Other provisions	3,537	932	(2,230)	–	14	2,253
	34,955	**8,893**	**(4,301)**	**190**	**905**	**40,642**
Total	**39,606**	**9,003**	**(4,864)**	**203**	**883**	**44,831**

The change in the scope of consolidation refers to Thomas Llc and FASP S.r.l.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2021, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

Other provisions are made up of provisions for risks and charges to cover the severance indemnity of the director of the parent and any liabilities that might arise from contractual obligations, tax payables and legal disputes; Group companies used experienced consultants to quantify the provisions.

18. Trade and other payables and contract liabilities

TRADE AND OTHER PAYABLES

This item is analyzed as follows:

in thousands of euros	31.12.2021	31.12.2020
Trade payables	435,283	403,670
Social security and defined-contribution plan payables	17,266	15,651
Tax payables	13,964	12,639
Due to employees	79,535	72,024
Payables in respect of acquisitions	123,241	106,224
Deposits	3,502	1,882
Other payables	7,371	6,896
Total	**680,162**	**618,986**

TRADE PAYABLES

These include trade payables to suppliers of 336,642 thousand euros (289,531 thousand euros at 31 December 2020), payables to agents of 15,003 thousand euros (16,072 thousand euros at 31 December 2020) and trade payables to associates of 83,638 thousand euros (98,067 thousand euros at 31 December 2020).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

TAX PAYABLES

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

Due to employees

The item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. This item includes 231 thousand euros classified among the non-current liabilities (100 thousand euros at 31 December 2020).

Payables in respect of acquisitions

At 31 December 2021 the item includes payables for the purchase of equity investments relating to the acquisitions made during the year and in previous years.

The total amount of payables for acquisitions of 123,241 thousand euros includes 66,811 thousand euros classified as non-current liabilities (100,798 thousand euros at 31 December 2020), falling due for 57,155 thousand euros between 1 and 5 years and for 9,656 thousand euros beyond 5 years.

As regards the fair value hierarchy of payables represented by potential payments connected with the purchase of minority interests in subsidiaries, please refer to the section on Financial risk management.

Contract liabilities

The item breaks down as follow:

in thousands of euros	31.12.2021	31.12.2020
Advances received from customer	164,032	118,201
Contract liabilities related to contract works	42,656	32,822
Total	**206,688**	**151,023**

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2021	31.12.2020
Advances received	158,601	141,445
Contract assets related to contract works	(115,945)	(108,623)
Total	**42,656**	**32,822**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

Note that the net increase in trade payables and other payables and contractual obligations reported in the consolidated cash flow statement differs from the change in the corresponding balance sheet item mainly because of the options exercised during the period and the business combination, as commented on in Note 29.

19. Other revenue and capitalized costs

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Capital gains on disposal of non-current assets	643	996	(353)
Out-of-period income	2,959	3,386	(427)
Other revenue and income	9,208	9,996	(788)
Total	**12,810**	**14,378**	**(1,568)**

Capitalized costs of 39,027 thousand euros relate to increases in non-current assets for internal work and refer for 29,010 thousand euros to development costs and new technologies (23,270 thousand euros in 2020) and for 10,017 thousand euros to equipment and machinery (7,911 thousand euros in 2020).

Information pursuant to art. 1, paragraph 125 of Law 124, 4 August 2017

In compliance with the transparency and disclosure requirements contained in Law 124 of 4 August 2017, article 1 paragraphs 125-129 (replaced by article 35 of Decree Law 34 of 30 April 2019) which imposed on companies the obligation to indicate in the notes "the amounts and information on grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation, actually disbursed by public administrations", in 2021 the Group benefited from:

- Training plans financed by Fondirigenti and Fondimpresa for 770 thousand euros;
- Support for the shortage of workers due to sickness by the Bilateral Metalworking Body "EBM" for 1 thousand euros;
- GSE grant (the so-called "incentive rate" for electricity) of 108 thousand euros;
- Interest grant from Simest (a company belonging to the Cassa e Depositi e Prestiti group) for a customer Sofidel Poland for 14 thousand euros.

During 2021, the Group benefited from State aid and *de minimis* aid contained in the National Register of State Aid referred to in article 52 of Law 234 f 24 December 2012, for which reference is made to the following website

https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx.

The main types are the following:

- Law no. 232 of 11 December 2016 (Official Gazette General Series no. 297 of 21 December 2016 - Ordinary Supplement no. 57);
- Tender for the promotion of investment projects in implementation of article 6 of the Emilia-Romagna Regional Law no. 14/2014;
- Sustainable Industry Major Projects Call for Tender, with reference to the Concession Decree no. 4086 of 6 July 2016 of the Ministry of Economic Development;
- exemption from social contributions pursuant to art. 3 Legislative Decree 104/2020 for waiver of social safety nets;
- exemption from contributions pursuant to art. 1 Law 178/2020 for permanent new hires and for the transformation of fixed-term contracts into permanent contracts;
- aid for the employment of workers with disabilities and pertaining to vulnerable groups;
- financing based on the requirements of the Liquidity Decree with coverage by the Guarantee Fund;
- tax credit for rental costs, pursuant to art. 28 of Legislative Decree no. 34 of 19 May 2020.

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

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Raw materials and semifinished goods	563,377	495,518	67,859
Consumables and ancillary materials	24,297	23,177	1,120
Marketable goods	39,463	48,152	(8,689)
Other purchases	4,932	5,121	(189)
Total	**632,069**	**571,968**	**60,101**

The cost of raw, ancillary and consumable materials and goods attributable to the companies acquired in 2021 amounted to 5,893 thousand euros.

The item includes non-recurring charges for 613 thousand euros (608 thousand euros in 2020) as commented on in Note 33.

21. Services, rentals and leases

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Outsourced work and fitting	92,412	85,492	6,920
Maintenance and repair	15,578	13,284	2,294
Energy, telephone, gas, water and postal charges	20,371	16,573	3,798
Commissions	17,924	16,407	1,517
Technical, legal, tax and administrative consulting services	91,734	76,731	15,003
Advertising and promotions	3,846	2,813	1,033
Exhibitions	2,983	1,066	1,917
Travel and insurance	24,122	21,832	2,290
Transport	26,588	23,492	3,096
Bank charges	2,499	1,905	594
Rental fees	6,423	4,733	1,690
Short-term or low-value lease fees	3,918	3,073	845
Other services	20,567	17,044	3,523
Total	**328,965**	**284,445**	**44,520**

Rental fees mainly refer to intangible assets.

The item includes non-recurring charges for 12,634 thousand euros (4,519 thousand euros in 2020) as commented on in Note 33.

22. Personnel costs

Personnel costs break down as follows:

in thousands of euros	2021	2020	Change
Wages and salaries	336,283	311,535	24,748
Social security contributions	81,422	73,696	7,726
Board of Directors' emoluments	6,845	6,864	(19)
Pensions - defined-benefit plans	774	980	(206)
Pensions - defined-contribution plans	16,576	15,508	1,068
Other personnel costs	21,887	21,319	568
Total	**463,787**	**429,902**	**33,885**

Personnel costs attributable to newly acquired Thomas Llc and ASP S.r.l., total 5,266 thousand euros.

The item includes non-recurring costs for 517 thousand euros (224 thousand euros in 2020) as commented in Note 33.

The change in personnel costs compared with the previous year is due to a general increase caused by more travel, overtime and, where applicable, less use of furloughs paid by the State given the lower impact of the pandemic compared with what happened in 2020. The normal salary revisions given by the Collective Agreements and by the Company Compensation Policy were generally applied.

The IMA Group employed 6,207 people on average during 2021, as analyzed below:

	2021	2020	Change
Managers	342	340*	2
Office workers	3,922	3,860*	62
Production workers	1,943	1,930	13
Total	**6,207**	**6,130**	**77**

(*) The figures have been reclassified with respect to those shown in the 2020 financial statements because of the different method of counting first-line managers in some foreign companies.

At 31 December 2021 the Group had 6,248 employees (6,112 at 31 December 2020), 104 of whom work for Thomas Llc and FASP S.r.l.

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Depreciation of property, plant and equipment	16,555	14,423	2,132
Depreciation of right of use assets	30,527	28,477	2,050
Amortization of intangible assets	96,606	50,100	46,506
Write-downs/impairment	–	1,582	(1,582)
Bad debt provision	1,590	1,020	570
Total	**145,278**	**95,602**	**49,676**

Amortisation for the period includes 76,818 thousand euros relating to the allocation of these assets recognized after the reverse merger attributable to Brands for 14,177 thousand euros, Development costs for 27,202 thousand euros and Customer lists for 35,439 thousand euros.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2021	2020	Change
Capital losses on disposal of non-current assets	272	228	44
Property tax and other taxes	5,397	3,392	2,005
Out-of-period expenses	2,769	2,454	315
Membership fees	558	626	(68)
Penalties and charges on sales	111	442	(331)
Sundry promotional materials	197	278	(81)
Other operating expenses	3,386	5,236	(1,850)
Total	**12,690**	**12,656**	**34**

Other operating costs include non-recurring costs for 1,490 thousand euros as commented on in Note 33.

25. Financial income

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Interest income from banks	828	441	387
Interest income from associates	1,064	1,067	(3)
Interest income on amounts due from customers	904	125	779
Income from current investments at FVOCI	5,627	19	5,608
Change in fair value for contingent considerations	4,397	1,911	2,486
Other interest and financial income	399	495	(96)
Income from derivative financial instruments	575	219	356
Exchange rate gains	21,553	20,208	1,345
Total	**35,347**	**24,485**	**10,862**

Investment income at FVOCI includes the capital gain deriving from the sale of the investment funds to third parties, as commented on in Note 5.

Interest income on associates mainly refers to IMA Dairy & Food Holding GmbH.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2021	2020	Change
Interest expense on bank payables	3.034	7.192	(4.158)
Interest expense on bonds	57.021	4.671	52.350
Interest expense on discounting	352	263	89
Interest expense on lease liabilities	5.279	4.814	465
Net financial expense on defined-benefit plans	316	(20)	336
Various interest expense	126	270	(144)
Discounting of loans from parent companies	3.523	–	3.523
Losses from investments in FVOCI	362	–	362
Change in fair value for contingent considerations	11.028	8.263	2.765
Dividends paid to non-controlling interests	5.200	1.880	3.320
Bank guarantee expenses	2.067	719	1.348
Expense from derivative financial instruments	5.595	813	4.782
Net expense from hyperinflation	740	432	308
Other financial expense	11.393	2.344	9.049
Exchange rate losses	18.130	25.826	(7.696)
Total	**124.166**	**57.467**	**66.699**

Interest expense on bonds mainly includes the amount accruing for the year to be borne by the Parent Company in relation to the bond loan issued on 29 December 2020, maturing in 2028. For further details, please read Note 15.

Discounting loans from parents includes the notional interest on the financial debt owed to Sofima PIK S.p.A.

Change in the fair value of potential payments is mainly attributable to closing out the option contracts on Teknoweb Converting, as commented on in the section Scope of consolidation.

The expenses on derivative financial instruments and other financial expenses mainly refer to the repayments of loans and bonds mentioned previously.

At 31 December 2021, exchange rate gains and losses included an unrealized gain of 8,735 thousand euros and an unrealized loss of 7,984 thousand euros (7,492 thousand euros and 9,966 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2021	2020	Change
Taxes for the period:			
Current taxes	31,621	51,437	(19,816)
Net deferred tax assets and liabilities	(27,049)	(17,418)	(9,631)
	4,572	**34,019**	**(29,447)**
Prior year taxes	4,811	(2,695)	7,506
Total	**9,383**	**31,324**	**(21,941)**

Current taxes

In December 2021, as the merging company of GIMA TT S.p.A., IMA S.p.A. signed the preventive agreement with the Tax Authorities for use of the "Patent Box" tax relief for the five-year period 2016-2020. The optional Patent Box tax regime gives tax relief for five years to companies that generate income through the direct and indirect use of patents, software, designs and models, and know-how. Note that GIMA TT S.p.A., which originally exercised the five-year option, was absorbed by the Company in 2019.

The tax benefit quantified by IMA S.p.A. for the years 2016, 2017 and 2018 is approximately 15 million euros, which has been fully reflected in the result for 2021 as a reduction of current taxes, which amount to a total of 31,621 thousand euros (51,437 thousand euros at 31 December 2020).

As regards 2019 and 2020, the potential benefit deriving from the facility has not been disclosed in the result for 2021, for prudence sake, the Company has to verify whether following the change in the corporate structure and the inclusion of new patents for these years, a new agreement has to be signed with the Tax Authorities, postponing the benefit to 2022.

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

in thousands of euros	2021	2020
Profit before taxes	**65,477**	**121,140**
Taxes determined on the theoretical tax rate	**15,224**	**29,175**
Effect of income not subject to tax	(14,081)	(1,462)
Effect of non-deductible costs	7,996	6,173
IRAP	3,093	5,840
Tax step-up (Decree Law 104/2020)	1,015	(4,739)
Other changes	(3,660)	(968)
Prior year taxes	(204)	(2,695)
Total	**9,383**	**31,324**

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

The following companies form part of the domestic tax group for 2021 with SOFIMA as the consolidating company and Sofima PIK S.p.A., IMA S.p.A., Alphamac S.r.l., Asset Management Service S.r.l., ATOP S.p.A., Ciemme S.r.l., CO.MA.DI.S. S.p.A., Eurosicma S.p.A., Packaging Manufacturing Industry S.r.l., Record S.p.A., Spreafico Automation S.r.l., Telerobot S.p.A. and Tissue Machinery Company S.p.A. as the consolidated companies.

28. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2021	2020
Profit for the year (thousands of euros)	55,860	91,716
Average number of outstanding ordinary shares (thousands of shares)	43,106	43,106
Earning per share (in euros)	**1.30**	**2.13**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. Business combinations

On 7 May 2021, IMA finalized the acquisition of the company known under the trade name of "Thomas Engineering", one of the main US players in the sector that produces systems for the coating of tablets used by the pharmaceutical industry. The company is based in Elgin, Illinois. The purchase agreement was entered into through the newly established company Thomas Llc, 100% owned by the subsidiary IMA North America Inc.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	518	518
Right of use assets	6,168	6,168
Deferred tax assets	161	161
Inventories	5,531	5,531
Trade receivables and other assets	1,686	1,686
Lease liabilities	(6,147)	(6,147)
Provisions for risks and charges	(120)	(120)
Contract liabilities	(2,944)	(2,944)
Trade payables and other liabilities	(1,785)	(1,785)
Total	**3,068**	**3,068**
Cost of acquisition		7,399
Goodwill		**4,331**

The cost of the acquisition includes the consideration of 6,000 thousand US dollars and the potential consideration of 2,922 thousand US dollars, defined on the basis of the 2021 results, by way of a price integration (or "earn-out"), discounted using the yield on government bonds with the same duration.

At 31 December 2021 the newly acquired company, which were consolidated for 8 months, generated revenue of 10,666 thousand euros and an operating profit of 590 thousand euros, including personnel costs of 3,936 thousand euros.

On 22 July 2021, IMA completed the acquisition of 80% of FASP S.r.l., a company based in Montecchio Maggiore (Vicenza) which develops technological systems for the manufacture of electric motors, from the production of stand-alone machines to complex systems, up to the creation of fully automated turnkey lines. The company provides innovative and efficient solutions to electric motor manufacturers operating in a wide range of sectors: automotive, electric vehicles, home automation, lifts, electric pumps, submersible motors, energy generators and various industrial applications concerning wire winding and insertion technology (known as "Pull-In").

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	239	239
Right of use assets	613	613
Intangible assets	538	99
Deferred tax assets	432	432
Inventories	616	616
Contract assets	1,047	1,047
Trade receivables and other assets	878	878
Cash and cash equivalents	2,205	2,205
Borrowings	(1,920)	(1,920)
Lease liabilities	(548)	(548)
Employee defined benefit liabilities	(527)	(527)
Contract liabilities	(1,245)	(1,245)
Trade payables and other liabilities	(2,296)	(2,296)
Total	**32**	**(407)**
Cost of acquisition		8,351
Goodwill		**8,758**

The cost of the acquisition includes the consideration of 3,695 thousand euros and the potential consideration of 4,656 thousand euros, of which 1,600 thousand euros by way of earn-out and 3,056 thousand euros relating to the fair value of the options subscribed for the purchase of the residual 20%, discounted using the yield on government bonds with the same duration.

At 31 December 2021 the newly acquired company, which was consolidated for 6 months, generated revenue of 3,413 thousand euros and an operating profit of -14 thousand euros, including personnel costs of 1,330 thousand euros.

The amounts recognized at the acquisition date were determined provisionally as required by IFRS 3; any adjustments will be recorded within 12 months from the date of the acquisition.

635 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2021 the fees paid, net of the cash acquired, amounted to 6,497 thousand euros.

30. Guarantees granted

At 31 December 2021, the Group provided sureties and other bank guarantees to customers for 34,801 thousand euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 6,097 thousand euros and guarantees in favour of others for 3,104 thousand euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2021	31.12.2020
Subsidiaries:		
Asset Management Service S.r.l.	1,600	1,000
ATOP S.p.A.	24,531	22,366
ATOP (Shanghai) Electrical Equipment Co.	–	685
Benhil GmbH	9,157	6,685
Ciemme S.r.l.	1,000	2,000
Claren Cutting Service S.r.l.	15	2,010
CMRE S.r.l.	38,544	45,763
Corazza S.p.A.	–	5,705
Eurosicma S.p.A.	2,044	7,000
FASP S.r.l.	1,070	–
Ilapak Inc.	883	6,112
Ilapak International SA	8,230	8,569
Ilapak Italia S.p.A.	3,430	2,938
Ilapak Sp. Z o.o.	2,571	2,303
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	4,650	4,650
IMA Automation Switzerland SA	19,649	18,793
IMA Automation USA Inc.	221	8,149
IMA Est GmbH	–	800
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	1,106	382
IMA Life Japan KK	767	790
IMA Life North America Inc.	7,202	7,300
IMA Pacific Co. Ltd.	5,905	4,484
IMA-PG India Pvt. Ltd.	2,600	2,600
Perfect Pack S.r.l.	597	1,150
Petroncini Impianti S.p.A.	5,175	1,109
Pharmasiena Service S.r.l.	2,608	4,500
Spreafico Automation S.r.l.	290	2,015
Telerobot S.p.A.	4,638	985
Teknoweb Converting S.r.l.	3,000	4,750
Tissue Machinery Company S.p.A.	21,979	19,401
Valley Tissue Packaging Inc.	–	1,630
Other subsidiaries	468	317
	176,230	**199,241**
Associates:		
Doo Officina-Game Vrsac	–	418
IMA Dairy & Food Holding GmbH	6,827	9,081
	6,827	**9,499**
Total	**183,057**	**208,740**

Lastly, note that sureties were issued against advances received from customers for a total of 131,641 thousand euros (109,429 thousand euros at 31 December 2020), of which 36,878 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

As regards the recoverability of these guarantees, no risks are recognized.

31. Commitments

At 31 December 2021 there are commitments for the purchase of property, plant and equipment of 7,850 thousand euros relating principally to the property complex being built in Parma, a leased building in Castel San Pietro Terme (BO) and machinery ordered by the Parent Company.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 4,854 thousand euros.

There are other commitments in favour of third parties for 332 thousand euros.

32. Related-party transactions

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services. IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions. IMA's manufacturing subsidiaries also have similar relationships with these marketing companies. The IMA Group carries on business with related parties and associates, mainly comprising persons who are responsible for administration and management within IMA S.p.A., or entities that are controlled by them.

Such transactions mainly include financial, commercial and real estate activities (leased premises) carried out in the ordinary course of business and participation in the consolidated tax mechanism.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2021	Receivables at 31.12.2020	Payables at 31.12.2021	Payables at 31.12.2020
Parent companies:				
IMA BidCo Sp.A.	–	186	–	–
Sofima Holding Sp.A.	–	342	–	–
Sofima PIK Sp.A.	–	–	215,940	–
SO.FI.M.A. Sp.A.	15,477	16,226	160	–
	15,477	**16,754**	**216,100**	**–**
Associates:				
Alfa S.r.l.	5,170	4,000	–	–
Amherst Stainless Fabrication Llc	1,254	899	10	284
A.P.M. Assembly Pack. Mach. S.r.l.	541	902	1,972	3,177
B.C. S.r.l.	3,841	3,488	862	755
Bacciottini F.lli S.r.l.	1,785	1,416	10,097	9,049
Bolognesi S.r.l.	1,473	1,442	6,737	4,198
Doo Officina-GAME East Vrsac	1,424	1,419	156	80
I.E.M.A. S.r.l.	6,465	6,494	20,246	21,161
IMA Dairy & Food Holding GmbH	44,995	44,809	–	60
LA.CO S.r.l.	1,149	836	3,053	3,049
Logimatic S.r.l.	9,876	14,176	21,415	26,977
Masterpiece S.r.l.	53	46	839	729
Meccanica Sarti S.r.l.	1,532	1,277	333	517
Me.Mo. S.r.l.	1,450	1,488	–	58
MORC2 S.r.l.	2,138	2,000	2,667	1,996
OLTRE S.r.l.	311	285	994	703
O.M.S Officina Meccanica di Sonico S.r.l.	1,314	1,228	414	704
Powertransmission.it S.r.l.	212	185	872	715
SILMAC. S.r.l.	3,401	2,888	9,730	10,839
STA.MA. S.r.l.	522	223	2,397	1,774
Talea S.r.l.	–	19,063	–	10,628
Other associates	820	744	684	614
	89,726	**109,308**	**83,478**	**98,067**
Other related parties:				
3-T S.r.l.	17	16	1,129	1,179
Applied S.r.l.	1,187	–	4,328	2,756
Costal S.r.l.	–	–	1,105	1,178
Deltos S.r.l.	11	–	507	413
EPSOL S.r.l.	882	718	6,837	5,477
Erca S.A.S	521	571	–	–
Hassia Verpackungsmaschinen GmbH	660	837	–	–
Hotminds S.r.l.	230	249	687	1,332
LPM.GROUP S.r.l.	317	226	6,558	6,555
Talea S.r.l.	21,185	–	10,017	–
Timage S.r.l.	6	–	1,650	1,323
Other related parties	951	1,283	1,263	1,272
	25,967	**3,900**	**34,081**	**21,485**
Total	**131,170**	**129,962**	**333,659**	**119,552**

In relation to the amount of the liability towards Sofima PIK S.p.A., please refer to the comments in Note 15.

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2021	Revenues 2020	Costs 2021	Costs 2020
Parent companies:				
Sofima PIK S.p.A.	–	–	3,523	–
	–	**–**	**3,523**	**–**
Associates:				
Alfa S.r.l.	34	–	812	81
Amherst Stainless Fabrication Llc	26	4	3,628	4,802
A.P.M. Assembly Pack. Mach. S.r.l.	180	318	2,827	3,025
B.C. S.r.l.	353	334	6,247	5,923
Bacciottini F.lli S.r.l.	638	716	13,586	10,987
Bolognesi S.r.l.	208	333	7,805	5,097
Doo Officina-Game East Vrsac	186	126	1,177	667
I.E.M.A. S.r.l.	5,013	4,647	23,229	22,613
IMA Dairy & Food Holding GmbH	1,215	1,026	–	60
LA.CO S.r.l.	81	71	3,650	3,506
Logimatic S.r.l.	5,538	7,102	31,864	27,626
Masterpiece S.r.l.	31	31	954	896
Meccanica Sarti S.r.l.	–	23	515	644
MORC 2 S.r.l.	291	697	3,851	5,202
OLTRE S.r.l.	1	35	1,223	954
O.M.S Officina Meccanica Sonico S.r.l.	93	130	1,867	2,888
Powertransmission.it S.r.l.	27	27	889	905
RO.SI S.r.l.	–	214	–	2,180
SIL.MAC. S.r.l.	2,015	2,089	12,844	11,880
SI.Me. S.r.l.	–	14	1,220	1,386
STA.MA. S.r.l.	582	217	2,581	1,990
Talea S.r.l.	129	2,332	3,288	4,589
Other associates	43	797	802	1,116
	16,684	**21,283**	**124,859**	**119,017**
Other related parties:				
3-T S.r.l.	16	13	1,405	1,406
Applied S.r.l.	93	–	3,747	2,322
Cataudella Stefano	–	–	323	485
Comatic S.r.l.	25	24	654	497
Costal S.r.l.	–	–	2,279	2,053
Deltos S.r.l.	11	–	1,400	795
EPSOL S.r.l.	861	828	7,852	6,191
Erca S.A.S	794	835	166	253
Hassia Verpackungsmaschinen GmbH	1,060	1,384	–	43
Hotminds S.r.l.	–	–	831	1,174
IMA Dairy & Food USA Inc.	1,315	298	102	56
LPM.GROUP S.r.l.	312	193	7,259	7,290
Morosina S.p.A.	–	–	1,280	990
Poggi & Associati	–	–	1,481	851
Timage S.r.l.	–	–	3,756	2,969
Talea S.r.l.	1,110	–	852	–
Other related parties	293	247	1,323	2,852
	5,890	**3,822**	**34,710**	**30,227**
Total	**22,574**	**25,105**	**163,092**	**149,244**

Because of the adoption of IFRS 16, the costs for rentals with related parties have been eliminated. These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Revenue from EPSOL S.r.l., Erca S.A.S. and Hassia GmbH relate principally to the sale of commercial parts used in production.

The costs from EPSOL S.r.l. refer to the design and production of systems for automatic machines, the costs from LPM.GROUP S.r.l. mainly refer to protections for machinery and parts to drawings and the costs from Timage S.r.l. refer to the realization of technical documentation.

Applied S.r.l. offers skills, services and products with high added value, to support digital innovation and Talea S.r.l. operates in the IT sector.

The table below provides a summary of the balance sheet items, including the main percentage:

in thousands of euros	Total at 31.12.2021	Of which related parties	% impact	Total at 31.12.2020	Of which related parties	% impact
Statement of financial position:						
Fixed assets and right of use assets	3,858,663	20,249	0.5%	1,227,492	15,869	1.3%
Investments and financial assets	71,725	62,764	87.5%	75,247	65,340	86.8%
Other non-current assets	68,355	–	–	64,026	–	–
NON-CURRENT ASSETS	3,998,743	83,013	2.1%	1,366,765	81,209	5.9%
Trade and other receivables	504,096	21,882	4.3%	454,816	24,904	5.5%
Financial assets	15,930	10,877	68.3%	31,966	13,380	41.9%
Cash and cash equivalents	231,727	–	–	130,880	–	–
Income tax receivables	21,370	15,398	72.1%	19,187	10,469	54.6%
Other current assets	369,104	–	–	354,863	–	–
CURRENT ASSETS	1,142,227	48,157	4.2%	991,712	48,753	4.9%
TOTAL ASSETS	**5,140,970**	**131,170**	**2.6%**	**2,358,477**	**129,962**	**5.5%**
SHAREHOLDERS EQUITY	2,068,789			581,102		
Borrowings and lease liabilities	1,641,614	215,940	13.2%	603,713	–	–
Other non-current liabilities	470,973	–	–	250,292	–	–
NON-CURRENT LIABILITIES	2,112,587	215,940	10.2%	854,005	–	–
Borrowings and lease liabilities	88,262	–	–	205,714	–	–
Trade and other payables	819,808	117,719	14.4%	669,111	119,552	17.9%
Income tax liabilities	9,856	–	–	13,487	–	–
Other current liabilities	41,668	–	–	35,058	–	–
CURRENT LIABILITIES	959,594	117,719	12.3%	923,370	119,552	12.9%
TOTAL EQUITY AND LIABILITIES	**5,140,970**	**333,659**	**6.5%**	**2,358,477**	**119,552**	**5.1%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2021	Of which related parties	% impact	2020	Of which related parties	% impact
Income statement:						
Revenue from contracts with customers	1,688,317	18,660	1.1%	1,490,472	17,376	1.2%
Other income and capitalized costs	51,837	1,035	2.0%	45,559	2,565	5.6%
Cost of raw materials and goods	(632,069)	(105,278)	16.7%	(571,968)	(99,326)	17.4%
Cost of services and leases	(328,965)	(51,407)	15.6%	(284,445)	(47,448)	16.7%
Other operating costs	(625,206)	(1,451)	0.2%	(529,231)	(2,112)	0.4%
OPERATING PROFIT	**153,914**			**150,387**		
Net financial income	35,347	1,064	3.0%	24,485	1,071	4.4%
Net financial expense	(124,166)	(3,523)	2.8%	(57,467)	–	–
FINANCIAL INCOME AND EXPENSE	**(88,819)**			**(32,982)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**382**	**382**	100.0%	**3,735**	**3,735**	100.0%
Taxes	(9,383)	–	–	(31,324)	–	–
PROFIT FOR THE YEAR	**56,094**			**89,816**		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration due for any reason and in any form to directors and statutory auditors of the Parent for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2021	2020
Directors	1,939	2,509
Statutory Auditors	181	133
Total	**2,120**	**2,642**

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2021	2020
Short-term benefits	3,359	2,320
Long-term benefits	–	(177)
Post-employment benefits	175	145
Fees for positions	2,206	2,642
Total	**5,740**	**4,930**

Fees paid to the independent auditors

The following table shows the fees in 2021 for auditing services and services other than auditing, mainly relating to auditing of the Sustainability Report, prepared on a voluntary basis, R&D receivables and to the merger of IMA BidCo S.p.A. and Sofima Holding S.p.A. in IMA S.p.A.:

in thousands of euros	Service rendered by	To	Fees
Audit	EY Sp.A.	Parent company IMA Sp.A.	222
	EY Sp.A.	Subsidiary companies	425
	EY network	Subsidiary companies	203
Other services rendered in connection with the review	EY Sp.A.	Parent company IMA Sp.A.	175
	EY Sp.A.	Subsidiary companies	22
Other services	EY Sp.A.	Parent company IMA Sp.A.	263
	EY network	Subsidiary companies	33
Total			**1,343**

33. Significant non-recurring transactions and events

During the 2021 non-recurring costs were incurred in connection with the mandatory takeover bid for IMA's shares, mainly represented by costs for financial, legal and tax advisory and consultancy services for 8,393 thousand euros, bank commissions for 467 thousand euros and the Tobin tax directly relating to the purchases of IMA shares completed during the year for 1,490 thousand euros and the Consob supervisory contribution for 1,640 thousand euros. They also included expenses resulting from the Covid-19 emergency, in particular the application of social distancing measures and hygiene procedures and other safety measures for 2,535 thousand euros.

The total amount of non-recurring costs, 15,254 thousand euros, is classified in costs for raw materials for 613 thousand euros, costs for services for 12,634 thousand euros, personnel costs for 517 thousand euros and other operating costs for 1,490 thousand euros.

34. Significant events subsequent to year end

The main events subsequent to the year end are the following:

- merger by absorption, with effect from 1 January 2022, of Telerobot S.p.A., CMRE S.r.l., Transworld Packaging Holding S.p.A. and Luna Investment S.r.l. by the parent IMA S.p.A. and of Asset Management Service S.r.l. by Tissue Machinery Company S.p.A.;
- on 1 March 2022 IMA S.p.A. completed the purchase of a 34.9% stake in IMA Dairy & Food Holding GmbH, of which it already held 40%. The German company controls, among others, Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Erca France SAS, INTECMA SA and CDE-Packaging GmbH. The group is a leader in the design, production and marketing of machines, lines and systems for the packaging of products for the food industry and, in particular, the dairy sector with production plants in Germany, France and Spain. 33.5 million euros were paid for the acquisition. Put and call option contracts were also signed for the remaining 25.1%, so the percentage attributable to the Group is 100%.
- The world economic picture could be made even worse by developments in recent geopolitical tensions between the main world powers, which escalated in February and culminated in Russia's invasion of Ukraine. A deterioration in relations between the West, Russia and China could in fact have repercussions on the stability of certain equilibriums and international relations, on growth, due to a further increase in the price of energy, especially gas and oil, and on trade relations, which would suffer restrictions in the face of sanctions imposed on Russia by Western

countries. In addition to the very heavy humanitarian consequences suffered by Ukraine, since the first days of the conflict there has also been a progressive increase in the price of wheat and other food products; the repercussions due to this additional inflationary pressure are impacting all advanced economies, in particular the European countries as they are more dependent on energy supplies from Russia. While keeping a close eye on the situation as it evolves, the Group does not expect to suffer serious repercussions from the Russian-Ukrainian conflict as these markets account for approximately 3.5% of total revenue and 2.3% of the backlog.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- Alphamac S.r.l.	Bologna	Bologna - Italy	90,000	EUR	–	100%
- ATOP S.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	100%(1)	–
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100%(2)	–
- Claren Cutting Service S.r.l.	Calderara di Reno	Bologna - Italy	100,000	EUR	–	100%
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	–
- Eurosicma - Costruzioni Macchine Automatiche S.p.A.	Milan	Milan - Italy	700,000	EUR	100%	–
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	–	100%
- FASP S.r.l.	Montecchio Maggiore	Vicenza - Italy	100,000	EUR	100%(3)	–
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	–	100%
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100%(4)	–
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	80%	–
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	97%	–
- Record S.p.A.	Garbagnate Monastero	Lecco - Italy	335,400	EUR	51.68%(5)	48.32%
- Spares & More S.r.l.	Gallicano	Lucca - Italy	10,848	EUR	–	100.0%
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100%(6)	–
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	80%(7)	–
- Telerobot S.p.A.	Alessandria	Alessandria - Italy	50,000	EUR	100%	–
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100%(8)	–
- ATOP (Shanghai) Electrical Equipment Co.Ltd.	Shanghai	PRC	200,000	EUR	–	100.0%
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	–
- Delta Systems & Automation Llc	Lowell	USA	1,000	USD	–	100%
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	–	100%
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	–	100%
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	100%	–
- IMA Automation Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	100%	–
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	–	100%
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	–
- IMA Life (Shanghai) Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	–	86.29%
- IMA Life North America Inc.	Tonawanda	USA	100	USD	–	100%
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	–
- IMA MAI S.A.U.	Mar del Plata	Argentina	3,314,962	ARS	100%	–
- IMA North America Inc.	Leominster	USA	8,052,500	USD	–	100%
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	–
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	–
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	–
- Tecmar SA.	Mar del Plata	Argentina	692,500	ARS	100%(9)	–
- Thomas Llc	Elgin	USA	6,000,000	USD		100%
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	–	100%

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000.

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Asset Management Service S.r.l.	Castel Guelfo	Bologna - Italy	500,000	EUR	–	100%
- Ilapak France SA	Lognes Paris	France	105,130	EUR	–	100%
- Ilapak Inc.	Newtown	USA	12,500	USD	–	100%
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	–	100%
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	–	100%
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	–	100%
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	–	100%
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	–	100%
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	–
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	–
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	–
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	–
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	–
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	–	100%
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	–
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	–
- IMA Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	–
- IMA UK Ltd.	Alcester	UK	1	GBP	–	100%
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	–
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	100%	–
- Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	–	80%
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	–	60%
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	–	100%
- TMC North America Inc.	Appleton	USA	100,000	USD	–	100%
Financial companies:						
- Luna Investment S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	–	100%
- Packaging Systems Holdings Inc.	Wilmington	USA	1,001	USD	100%	–
- Tekno NA Inc.	Atlanta	USA	50,000	USD	–	80%
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna - Italy	64,833	EUR	100%	–
Other companies:						
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	100%	–
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	–	80%
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	–
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	–

Note:

(21) The percentage interest held in ATOP S.p.A. includes an option to purchase 6.539% of the quota capital
(22) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital
(23) The percentage interest held in FASP S.r.l. includes an option to purchase 20% of the quota capital
(24) The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital
(25) The percentage interest held in Record S.p.A. includes an option to purchase 10.4% of the quota capital
(26) The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital
(27) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 10% of the quota capital
(28) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(29) The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital

FOR FURTHER INFORMATION, PLEASE REFER TO THE GROUP STRUCTURE AT 31 DECEMBER 2021 SECTION

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- Alfa S.r.l.	Bologna	Bologna - Italy	1,000,000	EUR	40%(1)
- Amherst Stainless Fabrication Llc	Amherst NY	USA	1,100,000	USD	20%(2)
- A.P.M. Assembly Pack. Mach. S.r.l.	Castel Bolognese	Ravenna - Italy	100,000	EUR	32%(1)
- B.C. S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Montemurlo	Prato - Italy	500,000	EUR	30%(1)
- BLQ S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30%(1)
- CAIMA S.r.l.	Monghidoro	Bologna - Italy	10,000	EUR	20%(1)
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49%(1)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30%(1)
- IEMATECH S.r.l.	Brivio	Lecco - Italy	10,000	EUR	30%(1)
- IMA Dairy & Food Holding GmbH	Ranstadt	Germany	25,000	EUR	40%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30%(1)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17%(1)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30%(1)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30%(1)
- Me.Mo. S.r.l.	Gaggio Montano	Bologna - Italy	10,000	EUR	20%(1)
- MORC2 S.r.l.	Faenza	Ravenna - Italy	20,800	EUR	20%(1)
- OLTRE S.r.l.	Ozzano dell'Emilia	Bologna - Italy	50,000	EUR	30%(1)
- OMEGA S.r.l.	Castel Guelfo	Bologna - Italy	10,000	EUR	20%(1)
- O.M.S. Officina Meccanica Sonico S.r.l.	Sonico	Brescia - Italy	31,200	EUR	40%(1)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20%(1)
- Scriba Nanotecnologie S.r.l. (in liquidation)	Bologna	Bologna - Italy	25,556	EUR	24.9%
- SI.L.MAC. S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30%(1)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	125,000	EUR	39.2%(1)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,400	EUR	30%(1)
- Sirio S.p.A. Associazione in partecipazione	Milan	Milan - Italy			

Note:

(5) Held by Packaging Manufacturing Industry S.r.l.

(6) Held by IMA Life North America Inc.

Independent Auditor's Report

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Sole Shareholder of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group or "Group"), which comprise the statement of financial position at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of the I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operations of I.M.A. Group at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of I.M.A. Group at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of I.M.A. Group at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 6, 2021

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

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