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Not for General Distribution in the United States of America

International Design Group S.p.A.

€720,000,000

€320,000,000 Senior Secured Floating Rate Notes due 2025

€400,000,000 6½% Senior Secured Notes due 2025

International Design Group S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), is offering €320,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2025 (the "**Floating Rate Notes**") and €400,000,000 aggregate principal amount of its 6½% Senior Secured Notes due 2025 (the "**Fixed Rate Notes**" and, together with the Floating Rate Notes, the "**Notes**"), as part of the financing for the proposed acquisition of Flos S.p.A., a company incorporated in Italy, and its subsidiaries (as more specifically described herein, the "**Flos Acquisition**"), Luminous Designs Investments ApS, a company incorporated in Denmark, and its subsidiaries (as more specifically described herein, the "**LP Acquisition**") and B&B Italia S.p.A., a company incorporated in Italy, and its subsidiaries (as more specifically described herein, the "**B&B Acquisition**" and, together with the Flos Acquisition and the LP Acquisition, the "**Acquisitions**") by the Issuer. The Issuer is a holding company formed in connection with the Acquisitions and will not control the Targets (as defined herein) prior to the consummation of the Acquisitions.

The Floating Rate Notes will mature on November 15, 2025. The Issuer will pay interest on the Floating Rate Notes at a rate equal to three-month EURIBOR (with 0% floor) plus 6.00% per year, reset quarterly. Interest will be paid on the Floating Rate Notes quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on February 15, 2019. Prior to November 15, 2019, the Issuer will be entitled, at its option, to redeem all or, from time to time, a portion of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. At any time on or after November 15, 2019, the Issuer may redeem all or part of the Floating Rate Notes at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). The Fixed Rate Notes will mature on November 15, 2025. The Issuer will pay interest on the Fixed Rate Notes semi-annually on each May 15 and November 15, commencing May 15, 2019. Prior to November 15, 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. At any time on or after November 15, 2021, the Issuer may redeem all or from time to time a portion of the Fixed Rate Notes at the redemption prices set forth in this Offering Memorandum. In addition, prior to November 15, 2021, the Issuer may on one or more occasions redeem at its option up to 40% of the aggregate principal amount of the Fixed Rate Notes with the net proceeds from certain equity offerings at the redemption price set forth in the Offering Memorandum, provided that at least 50% of the original aggregate principal amount of the Fixed Rate Notes remains outstanding after each redemption. Prior to November 15, 2021, the Issuer may redeem during each calendar year up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including any additional Fixed Rate Notes) at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

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 relevant series of Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law.

Pending consummation of the Acquisitions, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit the gross proceeds of the offering of the Notes into segregated escrow accounts, each in the name of the Issuer. The escrow accounts will be controlled by JPMorgan Chase N.A. (the "**Escrow Agent**") and pledged in favor of the Trustee (as defined herein) on behalf of the holders of the relevant series of Notes. The release of the escrowed proceeds from the escrow accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisitions, pursuant to the terms of the Investment Agreement (as defined herein) and the relevant Acquisition Agreements (as defined herein) promptly following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to the date specified herein, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Notes will be senior secured obligations of the Issuer and will not be guaranteed on the Issue Date. Within 90 days following the Completion Date (as defined herein), the Notes, subject to certain agreed security principles, will be guaranteed on a senior basis (the "**Notes Guarantees**") by the Guarantors (as defined herein). As of the Issue Date, the Notes will be secured by the Issue Date Collateral (as defined herein). The Notes Guarantees will be subject to certain material limitations pursuant to applicable laws as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*". On or about the Completion Date, the Notes will be secured on a first-ranking basis, subject to certain agreed security principles, by the Completion Date Collateral (as defined herein). Within 20 business days following the Completion Date, the Notes will also be secured on a first-ranking basis, subject to certain agreed security principles, by the Post Completion Date Collateral (as defined herein). The Collateral (as defined herein) will also secure on a first-ranking basis the Revolving Credit Facility (as defined herein) and certain hedging obligations. Under the terms of the Intercreditor Agreement (as defined herein), the holders of Notes will only receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to certain super priority hedging obligations have been repaid in full.

Subject to and as set forth in "*Description of Notes—Additional Amounts*", the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") if the Notes are held by a person resident in a country that is not included in the list issued under Article 11(4)(c) of Decree No. 239, and otherwise in the circumstances as described in "*Description of Notes—Additional Amounts*".

There is currently no public market for the Notes. We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") and traded on the LuxSE's Euro MTF market (the "**Euro MTF Market**"). There is no assurance that the Notes will remain listed and admitted to trading on the Euro MTF Market. This Offering Memorandum constitutes a prospectus for the purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

Each series of Notes will be represented on issue by one or more Global Notes (as defined herein) and the Initial Purchasers (as defined herein) expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about November 16, 2018 (the "**Issue Date**").

Investing in the Notes involves a high degree of risk. See "***Risk Factors***" beginning on page 57.

Price for the Floating Rate Notes: 100.000% plus accrued interest, if any, from the Issue Date.
Price for the Fixed Rate Notes: 100.000% plus accrued interest, if any, from the Issue Date.

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

Global Coordinators and Joint Bookrunners

J.P. Morgan **UniCredit Bank** **Goldman Sachs International**

Joint Bookrunners

DNB Markets **HSBC**

Manager

Natixis

The date of this Offering Memorandum is November 16, 2018.

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

IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither the Issuer ("**we**" or "**us**") nor any of J.P. Morgan Securities plc, UniCredit Bank AG, Goldman Sachs International, DNB Bank ASA, HSBC Bank plc and Natixis (together, the "**Initial Purchasers**") are responsible for your compliance with these legal requirements. See also "*Notice to Prospective U.S. Investors*", "*Notice to Certain European Investors*" and "*Plan of Distribution*".

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

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

None of the Initial Purchasers nor any employee or affiliate of the Initial Purchasers has authorized the contents or circulation of this Offering Memorandum. Accordingly, none of the Initial Purchasers, the trustee or any other agent or any of their respective directors, officers, employees, affiliates or advisors accept any liability for any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

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

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

The Issuer has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Notes Guarantees to qualified institutional buyers under Rule 144A and to

persons who are not U.S. persons (within the meaning of Regulation S) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes.

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

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

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

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

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

The Issuer is offering the Notes and the Guarantors are issuing the Notes Guarantees, in reliance on an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Notes are subject to restrictions on transferability and resale, which are described under "*Plan of Distribution*" and "*Transfer Restrictions*". By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the

financial risks of this investment for an indefinite period of time. The Initial Purchasers reserve the right to withdraw this offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

Tax Considerations

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

STABILIZATION

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE "**STABILIZATION MANAGER**") (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO PROSPECTIVE U.S. INVESTORS

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

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

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

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

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor does the Issuer or any Initial Purchaser authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

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

Professional Investors and ECPs Only Target Market

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

Prohibition of Sales to EEA Retail Investors

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

The United Kingdom

This Offering Memorandum is for distribution only to persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended the "**Financial Promotion Order**")); (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"), and as defined in CONSOB Regulation No. 20307 of February 15, 2018 ("**Regulation 20307**"), pursuant to Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of the Italian Financial Act; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

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

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

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, the Regulation 20307, as amended, Italian Legislative Decree No. 385 of

September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

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

Denmark

This Offering Memorandum has not been and will not be filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other regulatory authority in Denmark. Each Initial Purchaser has represented, warranted and agreed that the Notes may not be offered, sold or delivered directly or indirectly in Denmark, except (a) to a preselected group of institutional investors that constitute eligible counterparties within the meaning of Executive Order No. 747 of June 7, 2017 issued pursuant to the Danish Financial Business Act identified by the Initial Purchaser, (b) in compliance with the Danish Capital Markets Act and Executive Orders issued thereunder, (c) in compliance with Executive Order No. 747 of June 7, 2017 issued pursuant to the Danish Financial Business Act, (d) in a manner that is not deemed to constitute an offer to the public in Denmark and (e) in a manner that is not deemed to constitute an approach to the public in Denmark for the purposes of the Issuer receiving other repayable funds from the public within the meaning of the Danish Financial Business Act.

Spain

The Notes may not be offered or sold or distributed in Spain, nor may any subsequent resale of the Notes be carried out, or publicity or marketing of any kind be made, in Spain in relation to the Notes except (a) in circumstances which do not constitute a public offering of securities within the meaning of section 35 of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of October 23, 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended (the "**Securities Market Act**"), as developed by Royal Decree 1310/2005 of November 4, 2005 on admission to listing and on issues and public offers of securities (*Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and supplemental rules enacted thereunder or in substitution thereof from time to time; and (b) by institutions authorized to provide investment services in Spain under Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, the Securities Market Act (and related legislation) and Royal Decree 217/2008 of February 15, 2008 on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*). This Offering Memorandum has not been and will not be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for the public offering or sale of the Notes in Spain.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

- the effect of general economic conditions worldwide;
- our ability to successfully introduce new products, develop our brands and adapt to changing consumer preferences;
- significant competition in the development, production and sale of our products;
- our ability to identify and complete value-enhancing acquisitions and the risks that they may not deliver expected benefits;
- our ability to effectively control our distribution networks and their commercial practices, and the effect of any disruption in the operations of our distributors or in our relationships with them;
- our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms;
- the risk of loss of key license agreements, and the fact that certain of our designers are not subject to non-compete obligations during the terms of their license agreements with us and/or following the termination thereof;
- the potential for consumer spending on high-end design products to be replaced by spending on other activities;
- our ability to fully realize the Group's commercial and strategic vision;
- any negative impact on the reputation of our brand names and designs;
- market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, as well as the current political uncertainty in Italy;

- the license agreements we have with designers, which require us to pay royalty and other fees and, in limited cases, to make certain expenditures;
- risks associated with fluctuations in currency exchange rates;
- our ability to maintain our relationships with key suppliers of certain raw materials, components or finished products;
- any increase in the prices of the raw materials we employ in our manufacturing processes or of the components or finished products we purchase, to the extent we are not able to pass on such price increases to our customers;
- our ability to accurately forecast demand for certain of our products and to adequately manage our product inventory;
- any disruptions relating to our manufacturing or assembly facilities or warehouses or to our distribution or delivery processes;
- our ability to continue to retain and attract highly skilled employees, and the risk of loss of key personnel;
- production and litigation risks associated with our commercial contract divisions;
- credit and regulatory risks associated with Louis Poulsen's B2B division's activities with public entities;
- local business risks associated with our presence outside Europe;
- risks in relation to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanction programs;
- our ability to successfully expand into new markets or grow our online presence on a timely basis or at all;
- any system interruptions that impair customer access to our sites, performance failures in our technology infrastructure or data security breaches;
- more stringent regulations, including in the area of consumer data privacy;
- our ability to implement adequate monitoring systems or the sufficiency of monitoring systems to prevent the violation of laws and regulations;
- seasonal fluctuations in our quarterly results;
- our substantial amount of intangible assets;
- the success of our advertising and promotional activities;
- our ability to protect our license and other intellectual property rights from others;
- labor disputes or work stoppages;
- risks associated with certifications by industry standard-setting bodies and applicable law, including the Made in Italy designation;
- potential liabilities and costs from litigation and other proceedings;
- changes in our tax rates or exposure to additional tax liabilities;
- changes in tax laws;
- product liability claims;
- compliance with environmental health and safety, building permit, zoning and town planning laws and regulations;

- the adequacy of our insurance coverage;
- credit risks related to some of our customers;
- other risks associated with our financial information, the transaction, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

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

We urge you to read carefully the sections of this Offering Memorandum entitled "Risk Factors", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry and Market Data*" and "*Our Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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

CERTAIN DEFINITIONS

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

"**Acquisition Agreements**" means the B&B Acquisition Agreements and the Flos Acquisition Agreements, collectively;

"**Acquisitions**" means the B&B Acquisition, the Flos Acquisition and the LP Acquisition, collectively;

"**Annex A**" means the Summary of certain differences between Italian GAAP and IFRS, included in this Offering Memorandum under the heading Annex A.

"**Annex B**" means the Summary of certain differences between Danish GAAP and IFRS, included in this Offering Memorandum under the heading Annex B.

"**Annex C**" means the Reconciliation of B&B's Financial Statements Presented in the Offering Memorandum with B&B's Consolidated Financial Statements, included in this Offering Memorandum under the heading Annex C.

"**Annex D**" means the Reconciliation of LP's Financial Statements Presented in the Offering Memorandum with LP's Consolidated Financial Statements", included in this Offering Memorandum under the heading Annex D.

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

"**B&B**" means B&B Italia S.p.A., a company incorporated in Italy, and, unless the context requires otherwise, its consolidated subsidiaries;

"**B&B Acquisition**" means, collectively, (i) the B&B Majority Acquisition, (ii) the B&B Minorities Acquisition and (iii) the B&B Contribution, in each case to occur on or about the Completion Date and as further described under "*Summary—The Transactions*";

"**B&B Acquisition Agreements**" means the B&B Majority Acquisition Agreement and the B&B Minorities Acquisition Agreement, collectively;

"**B&B Contribution**" means the contribution of a portion of the share capital of B&B by B&B HoldCo, directly or indirectly, into the Issuer pursuant to the Investment Agreement, in an amount that will be determined on or about the Completion Date and that, together with the B&B shares to be purchased under the B&B Majority Acquisition Agreement, will cover 80.0% of the share capital of B&B;

"**B&B Existing Senior Facilities**" means the credit facilities outstanding under the B&B Existing Senior Facilities Agreement which will be entirely repaid and discharged on or about the Completion Date with a portion of the proceeds from the offering of the Notes (via the B&B Proceeds Loan and cash available on B&B's balance sheet);

"**B&B Existing Senior Facilities Agreement**" means the senior facilities agreement dated September 16, 2015 among, *inter alios*, B&B (formerly Durini 14 S.p.A.) (as borrower), UniCredit S.p.A., Banca IMI S.p.A. and Natixis S.A. Milan Branch, as arrangers, and UniCredit Bank AG, Milan Branch, as administrative agent and security agent, as amended from time to time;

"**B&B HoldCo**" means Brompton Design III S.à r.l., the entity that, as of the date of this Offering Memorandum, directly owns 80.0% of the B&B share capital and that will directly or indirectly contribute into, and sell to, as applicable, the Issuer on or about the Completion Date its entire shareholding in B&B, as further described under "*Summary—The Transactions*";

"**B&B Majority Acquisition**" means the acquisition of a portion of the share capital of B&B by the Issuer from B&B HoldCo pursuant to the B&B Majority Acquisition Agreement, in an amount to be determined on or about the Completion Date and that, together with the B&B shares to be contributed into the Issuer pursuant to the B&B Contribution, comprises 80.0% of the share capital of B&B;

"**B&B Majority Acquisition Agreement**" means the sale and purchase agreement entered into on September 11, 2018 among, *inter alios*, the Issuer and B&B HoldCo relating to the B&B Majority Acquisition, as further described under "*Summary—The Transactions*";

"**B&B Minorities**" means certain minority shareholders of B&B, which, as of the date of the Offering Memorandum, hold 20.0% of the B&B share capital;

"**B&B Minorities Acquisition**" means the acquisition of 20.0% of the share capital of B&B by the Issuer from the B&B Minorities pursuant to the B&B Minorities Acquisition Agreement;

"**B&B Minorities Acquisition Agreement**" means the sale and purchase agreement entered into on September 11, 2018 among, *inter alios*, the Issuer and the B&B Minorities relating to the acquisition of 20.0% of the share capital of B&B on or about the Completion Date, as further described under "*Summary—The Transactions*";

"**B&B Proceeds Loan**" means the approximately €73.3 million loan to be made by the Issuer to B&B with a portion of the proceeds of the Notes issuance under the B&B Proceeds Loan Agreement;

"**B&B Proceeds Loan Agreement**" means the notes proceeds loan agreement to be entered into on the Completion Date between the Issuer, as lender, and B&B, as borrower, pursuant to which a portion of the proceeds of the Notes issuance will be advanced to B&B in order to allow B&B to repay and discharge substantially all of its outstanding indebtedness (including under the B&B Existing Senior Facilities Agreement), as described in "*Use of Proceeds*", as amended, accreted or partially repaid from time to time;

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

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

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

"**Completion Date**" means the date on which the Acquisitions are consummated;

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

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

"**Danish Capital Markets Act**" means Consolidated Act No. 12 of January 8, 2018 on capital markets (*kapitalmarkedsloven*) as amended and supplemented from time to time;

"**Danish Companies Act**" means Consolidated Act No. 1089 of September 14, 2015 on companies (*selskabsloven*) as amended and supplemented from time to time;

"**Danish Financial Business Act**" means Consolidated Act No. 1140 of September 26, 2017 on financial business (*lov om finansiel virksomhed*) as amended and supplemented from time to time;

"**Danish GAAP**" means the provisions of the Danish Financial Statements Act (*årsregnskabsloven*);

"**Danish HoldCo**" means Luminous Designs Investments ApS, a company incorporated in Denmark, the entire share capital of which will be contributed by LP LuxCo 2 to the Issuer on or about the Completion Date pursuant to the Investment Agreement as part of the LP Acquisition, as further described under "*Summary—The Transactions*";

"**Danish HoldCo Proceeds Loan**" means the loan to be made by the Issuer to Danish HoldCo for an amount of approximately €96.1 million (as amended, accreted or partially repaid from time to time), with a portion of the proceeds of the Notes issuance;

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

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

"**Escrow Accounts**" means the two segregated escrow accounts into which the gross proceeds of the offering of the Fixed Rate Notes and Floating Rate Notes, respectively, will be deposited on the Issue Date;

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

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

"**Existing Senior Facilities**" means the B&B Existing Senior Facilities, the Flos Existing Senior Facilities and the LP Existing Senior Facilities, collectively;

"**Existing Senior Facilities Agreements**" means the B&B Existing Senior Facilities Agreement, the Flos Existing Senior Facilities Agreement and the LP Existing Senior Facilities Agreement, collectively;

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

"**Flos**" means Flos S.p.A., a company incorporated in Italy, and, unless the context requires otherwise, its consolidated subsidiaries;

"**Flos Acquisition**" means, collectively, (i) the Flos Majority Acquisition, (ii) the Flos Minorities Acquisition and (iii) the Flos Contribution, in each case to occur on or about the Completion Date and as further described under "*Summary—The Transactions*";

"**Flos Acquisition Agreements**" means the Flos Majority Acquisition Agreement and the Flos Minorities Acquisition Agreement, collectively;

"**Flos Contribution**" means the contribution of a portion of the share capital of Flos by Flos HoldCo, directly or indirectly, into the Issuer pursuant to the Investment Agreement, in an amount that will be determined on or about the Completion Date and that, together with the Flos shares to be purchased under the Flos Majority Acquisition Agreement, comprises 77.39% of the share capital of Flos;

"**Flos Existing Senior Facilities**" means the credit facilities outstanding under the Flos Existing Senior Facilities Agreement which will be entirely repaid and discharged on or about the Completion Date with a portion of the proceeds from the offering of the Notes (via the Flos Proceeds Loan and cash available on Flos' balance sheet);

"**Flos Existing Senior Facilities Agreement**" means the senior facilities agreement, dated November 25, 2014, among, *inter alios*, Flos S.p.A. (formerly Padme S.p.A.) (as borrower), Natixis S.A. – Milan Branch and UniCredit S.p.A., as arrangers, and UniCredit Bank AG, Milan Branch, as administrative agent and security agent, as amended from time to time;

"**Flos HoldCo**" means Luxury Design Holdings III S.à r.l., the entity that, as of the date of this Offering Memorandum, directly owns 77.39% of the Flos share capital and that will directly or indirectly contribute into, and sell to, as applicable, the Issuer on or about the Completion Date its entire shareholding in Flos, as further described under "*Summary—The Transactions*";

"**Flos Majority Acquisition**" means the acquisition of a portion of the share capital of Flos by the Issuer from Flos HoldCo pursuant to the Flos Majority Acquisition Agreement, in an amount to be determined on or about the Completion Date and that, together with the Flos shares to be contributed into the Issuer pursuant to the Flos Contribution, comprises 77.39% of the share capital of Flos;

"**Flos Majority Acquisition Agreement**" means the sale and purchase agreement entered into on September 11, 2018 among, *inter alios*, the Issuer and Flos HoldCo relating to the Flos Majority Acquisition, as further described under "*Summary—The Transactions*";

"**Flos Minorities**" means certain minority shareholders of Flos, which, as of the date of the Offering Memorandum, hold 22.61% of the Flos share capital;

"**Flos Minorities Acquisition**" means the acquisition of 22.61% of the share capital of Flos by the Issuer from the Flos Minorities pursuant to the Flos Minorities Acquisition Agreement;

"**Flos Minorities Acquisition Agreement**" means the sale and purchase agreement entered into on September 11, 2018 among, *inter alios*, the Issuer and the Flos Minorities relating to the acquisition of 22.61% of the share capital of Flos on or about the Completion Date, as further described under "*Summary—The Transactions*";

"**Flos Proceeds Loan**" means the approximately €113.2 million loan to be made by the Issuer to Flos with a portion of the proceeds of the Notes issuance under the Flos Proceeds Loan Agreement;

"**Flos Proceeds Loan Agreement**" means the notes proceeds loan agreement to be entered into on the Completion Date between the Issuer, as lender, and Flos, as borrower, pursuant to which a portion of the proceeds of the Notes issuance will be advanced to Flos in order to allow Flos to repay and discharge substantially all of its outstanding indebtedness (including under the Flos Existing Senior Facilities Agreement), as described in "*Use of Proceeds*", as amended, accreted or partially repaid from time to time;

"**Group**", "**we**", "**us**" or "**our**" refer to the Issuer and its consolidated subsidiaries from time to time, including the Targets and their consolidated subsidiaries on a *pro forma* combined basis after giving effect to the Transactions;

"**Guarantors**" means B&B, Flos, Louis Poulsen A/S and Antares, each of whom will guarantee the Notes within 90 days following the Completion Date upon its entry into a supplemental indenture;

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

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

"**Initial Purchasers**" means J.P. Morgan Securities plc, UniCredit Bank AG, Goldman Sachs International, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc and Natixis, collectively;

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

"**Investindustrial**" means, at any time and as the context requires, any of Flos HoldCo, B&B HoldCo, LP LuxCo 2 or European Design Participation S.à r.l. (i.e., an Investindustrial company indirectly participating in the Issuer);

"**Investment Agreement**" means the investment agreement entered into between, *inter alios*, certain affiliates of Carlyle, on the one side, and Investindustrial, on the other side, on August 7, 2018 and governing, among other things, Carlyle's and Investindustrial's joint investment in the Issuer and the steps towards the Acquisitions, as further described under "*Summary—The Transactions*";

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

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

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

"**Italian GAAP**" means the Italian law governing the preparation of financial statements, as interpreted and integrated by the accounting principles established by the *Organismo Italiano di Contabilità – OIC*;

"**LP**" or "**Louis Poulsen**" means P-LP 2014 A/S, a company incorporated in Denmark, and, unless the context requires otherwise, its consolidated subsidiaries;

"**LP Acquisition**" means the indirect contribution of the 100% of the share capital of Danish HoldCo into the Issuer by LP Luxco 2 pursuant to the Investment Agreement on or about the Completion Date, as further described under "*Summary—The Transactions*";

"**LP Existing Senior Facilities**" means the credit facilities outstanding under the LP Existing Senior Facilities Agreement which will be entirely repaid and discharged on or about the Completion Date with a portion of the proceeds from the offering of the Notes (via the LP Proceeds Loans and cash available on LP's balance sheet);

"**LP Existing Senior Facilities Agreement**" means the senior facilities agreement, dated July 24, 2018, among, *inter alios*, Luminous Designs Denmark ApS (as borrower), DNB Bank ASA, Filial af DNB Bank ASA, Norge, Skandinaviska Enskilda Banken AB (Publ) and UniCredit S.p.A., as lenders, and DNB Bank ASA, as administrative agent and security agent, as amended from time to time;

"**LP Luxco 2**" means Luminous Designs Collection S.à r.l., the entity that indirectly wholly owns LP and that, on the Completion Date, pursuant to the Investment Agreement, will contribute 100% of the share capital of Danish HoldCo into the Issuer, as further described under "*Summary—The Transactions*";

"**LP Proceeds Loans**" means, collectively, (i) the Danish HoldCo Proceeds Loan and (ii) the subsequent loan to be made by Danish HoldCo to Luminous Designs Denmark ApS, each for an amount of approximately €96.1 million (as amended, accreted or partially repaid from time to time), with a portion of the proceeds of the Notes issuance pursuant to the LP Proceeds Loan Agreements;

"**LP Proceeds Loan Agreements**" means the two notes proceeds loan agreements relating to the LP Proceeds Loans to be entered into on the Completion Date between (i) as to the Danish HoldCo Proceeds Loan, the Issuer, as lender, and Danish HoldCo, as borrower, and (ii) Danish HoldCo, as lender, and Luminous Designs Denmark ApS, as borrower, pursuant to which a portion of the proceeds of the Notes issuance will be advanced first to Danish HoldCo under the Danish HoldCo Proceeds Loan and subsequently to Luminous Designs Denmark ApS in order to allow Luminous Designs Denmark ApS to repay and discharge its outstanding indebtedness (including under the LP Existing Senior Facilities Agreement), as described in "*Use of Proceeds*";

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

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

"**Pro Forma Group Net Profit**" means net profit of the Group for the relevant period as derived from the unaudited pro forma condensed combined financial information set forth under "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Condensed Combined Financial Information—Summary Unaudited Pro Forma Condensed Combined Income Statement Information*";

"**Pro Forma Group Revenue**" means total revenue of the Group for the relevant period as derived from the unaudited pro forma condensed combined financial information set forth under "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Condensed Combined Financial Information—Summary Unaudited Pro Forma Condensed Combined Income Statement Information*";

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

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

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

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

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

"**Sellers**" means B&B HoldCo, Flos HoldCo, the B&B Minorities and the Flos Minorities, collectively;

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

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

"**Target Group**" means B&B, Flos and Danish HoldCo and their respective consolidated subsidiaries;

"**Target Proceeds Loans**" means the Flos Proceeds Loan, the B&B Proceeds Loan and the Danish HoldCo Proceeds Loan, collectively;

"**Targets**" means B&B, Flos and Danish HoldCo;

"**Transactions**" means the Acquisitions, the Financing and the Refinancing, as further described under "*Summary—The Transactions*"; and

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

The Issuer

The Issuer is a holding company, jointly controlled by the two Sponsors, that was incorporated on September 10, 2018 for the purpose of facilitating the Transactions. The Issuer is currently not expected to engage in any activities other than those related to its formation, the Transactions and any other future potential transactions permitted by the Indenture. The Issuer is currently not involved in any operating activity and does not hold any material assets or liabilities. The Issuer's only material assets and liabilities upon the Completion Date are expected to be its interests in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions, including indebtedness incurred under the Notes and the Revolving Credit Facility Agreement (if any).

This Offering Memorandum includes and presents the audited financial statements of the Issuer as at October 20, 2018 and for the period from September 10, 2018 (the date of incorporation of the Issuer) to October 20, 2018 (the "**Issuer Financial Statements**"). The Issuer Financial Statements have been prepared in accordance with IFRS. The Issuer Financial Statements are included in the financial pages to this Offering Memorandum. We do not present in this Offering Memorandum any historical financial information or financial statements of the Issuer, except for the Issuer Financial Statements and the Issuer's and its subsidiaries' unaudited pro forma condensed combined financial information set forth under "*Unaudited Pro Forma Condensed Combined Financial Information*", as further described in " *—Unaudited Pro Forma Condensed Combined Financial Information*".

Flos

In this Offering Memorandum, we include the historical consolidated financial information for Flos and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of Flos as of and for the six months ended June 30, 2018 (including comparative data for the six months ended June 30, 2017) and the notes thereto (the "**Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements**");
- an English translation of the consolidated financial statements of Flos as of and for the year ended December 31, 2017, including the notes thereto (the "**Flos 2017 Consolidated Financial Statements**");
- an English translation of the consolidated financial statements of Flos as of and for the year ended December 31, 2016, including the notes thereto (the "**Flos 2016 Consolidated Financial Statements**"); and
- an English translation of the consolidated financial statements of Flos as of and for the year ended December 31, 2015, including the notes thereto (the "**Flos 2015 Consolidated Financial Statements**").

The Flos 2017 Consolidated Financial Statements, the Flos 2016 Consolidated Financial Statements and the Flos 2015 Consolidated Financial Statements are together referred to herein as the "**Flos Audited Consolidated Financial Statements**", and the Flos Audited Consolidated Financial Statements and the Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements are together referred to herein as the "**Flos Consolidated Financial Statements**".

Each of the Flos Consolidated Financial Statements have been audited by EY S.p.A. and have been prepared in accordance with IFRS. The Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard

34 "*Interim Financial Reporting*". The Flos Consolidated Financial Statements are included in the financial pages to this Offering Memorandum.

Following the consummation of the Transactions, Flos will be a direct subsidiary of the Issuer.

LP

In this Offering Memorandum, we include the historical consolidated financial information for LP and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of LP as of and for the six months ended June 30, 2018 (including comparative data as of and for the six months ended June 30, 2017) and the notes thereto (the "**LP 2018 H1 Unaudited Consolidated Financial Statements**");
- the consolidated financial statements of LP as of and for the year ended December 31, 2017, including the notes thereto (the "**LP 2017 Consolidated Financial Statements**");
- the consolidated financial statements of LP as of and for the year ended December 31, 2016, including the notes thereto (the "**LP 2016 Consolidated Financial Statements**"); and
- the consolidated financial statements of LP as of and for the year ended December 31, 2015, including the notes thereto (the "**LP 2015 Consolidated Financial Statements**").

The LP 2017 Consolidated Financial Statements, the LP 2016 Consolidated Financial Statements and the LP 2015 Consolidated Financial Statements are together referred to herein as the "**LP Audited Consolidated Financial Statements**", and the LP Audited Consolidated Financial Statements and the LP 2018 H1 Unaudited Consolidated Financial Statements are together referred to herein as the "**LP Consolidated Financial Statements**".

The LP 2017 Consolidated Financial Statements and the LP 2016 Consolidated Financial Statements have been audited by Deloitte Statsautoriseret Revisionspartnerselskab and the LP 2015 Consolidated Financial Statements have been audited by Ernst & Young Godkendt Revisionspartnerselskab. Each of the LP Consolidated Financial Statements have been prepared in accordance with Danish GAAP. The LP Consolidated Financial Statements are included in the financial pages to this Offering Memorandum. Danish GAAP differs in certain aspects from IFRS. For a discussion of the differences between Danish GAAP and IFRS, see Annex B and "*Risk Factors—Risks Related to Our Business—The B&B Consolidated Financial Statements are based on Italian GAAP and the LP Consolidated Financial Statements are based on Danish GAAP, and there may be differences between B&B's financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP, and between Louis Poulsen's financial position and results of operations prepared in accordance with Danish GAAP and IFRS or U.S. GAAP. In addition, should B&B decide to adopt IFRS as its accounting reporting method, this could potentially result in material changes to certain of B&B's financial information from the B&B information presented in this Offering Memorandum*".

In addition, in this Offering Memorandum, we have reclassified and renamed certain Danish GAAP line items of LP's income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed LP income statement and balance sheet line items presented herein differ from the corresponding income statement and balance sheet line items contained in the LP Consolidated Financial Statements included in the financial pages to this Offering Memorandum. Tables setting forth a reconciliation of the reclassified and renamed line items to corresponding line items in the LP Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex D. For an explanation of the key income statement items, see "*Management's discussion and analysis of financial condition and results of operations—Louis Poulsen*". Following the consummation of the Transactions, LP will be an indirect subsidiary of the Issuer. The LP entity which will be contributed into the Issuer as part of the Acquisitions (*i.e.* Danish HoldCo) does not correspond to the reporting entity of the Louis Poulsen group, which is

LP. However, given Danish HoldCo is a holding company with no material operations and assets of its own, apart from its indirect equity interest in 100% of the share capital of LP, no material accounting difference exists between Danish HoldCo and LP, except for the LP Existing Senior Facilities incurred by Luminous Designs Denmark ApS (the direct subsidiary of Danish HoldCo and direct parent of LP), which will be entirely repaid and discharged with a portion of the proceeds from the offering of the Notes via the LP Proceeds Loans.

The financial information of Louis Poulsen discussed in this Offering Memorandum is presented in Danish kroner (DKK). In certain instances, a convenience translation into euros has been provided. The exchange rate used for the translation of amounts (i) from or derived from Louis Poulsen's statement of financial position is the Bloomberg Composite rate of DKK per euro at the end of the relevant period and (ii) from or derived from Louis Poulsen's income statement is the average Bloomberg Composite rate of DKK per euro for the period under discussion. The rates used to provide the convenience translation may differ from the actual rates used in the preparation of other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the convenience translations provided for certain of Louis Poulsen's financial information indicate that amounts in DKK could be or could have been converted into euro at any particular rate indicated or any other rate. For information regarding the exchange rate between DKK and the U.S. dollar, see "*Exchange Rate Information*".

B&B

In this Offering Memorandum, we include the historical consolidated financial information for B&B and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of B&B as of and for the six months ended June 30, 2018 (including comparative data as of and for the six months ended June 30, 2017) and the notes thereto (the "**B&B 2018 H1 Unaudited Consolidated Financial Statements**");
- the consolidated financial statements of B&B as of and for the year ended December 31, 2017, including the notes thereto (the "**B&B 2017 Consolidated Financial Statements**");
- the consolidated financial statements of B&B as of and for the year ended December 31, 2016, including the notes thereto (the "**B&B 2016 Consolidated Financial Statements**"); and
- the consolidated financial statements of B&B Italia S.p.A. (the predecessor entity of B&B) as of and for the year ended December 31, 2015, including the notes thereto (the "**B&B 2015 Consolidated Financial Statements**"). The scope of B&B consolidation changed in 2015 in connection with the acquisition of B&B by Investindustrial in September of such year. The B&B 2015 Consolidated Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the B&B group, B&B Italia S.p.A., which was extinguished and merged with its direct parent company GEB S.r.l. and its indirect parent company Durini 14 S.p.A. (with the surviving entity concurrently renamed B&B Italia S.p.A.) with an effective date of October 1, 2016. At the time of the merger, Durini 14 S.p.A. had no operating activities and its only material assets and liabilities were its equity interest in B&B Italia S.p.A. and the indebtedness incurred to make the acquisition. For this reason, we do not present any financial information of Durini 14 S.p.A. in this Offering Memorandum.

The B&B 2017 Consolidated Financial Statements, the B&B 2016 Consolidated Financial Statements and the B&B 2015 Consolidated Financial Statements are together referred to herein as the "**B&B Audited Consolidated Financial Statements**", and the B&B Audited Consolidated Financial Statements and the B&B 2018 H1 Unaudited Consolidated Financial Statements are together referred to herein as the "**B&B Consolidated Financial Statements**". The LP Consolidated Financial Statements, the B&B Consolidated Financial Statements and the Flos Consolidated Financial Statements are together referred to herein as the "**Consolidated Financial Statements**".

Each of the B&B Consolidated Financial Statements have been audited by KPMG S.p.A. and have been prepared in accordance with Italian GAAP. The B&B 2018 H1 Unaudited Consolidated Financial Statements have been prepared in accordance with OIC 30, "*Interim Financial Reporting*", the Italian accounting standard that governs the preparation of interim financial statements. The B&B Consolidated Financial Statements are included in the financial pages to this Offering Memorandum. Italian GAAP differs in certain aspects from IFRS. For a discussion of the differences between Italian GAAP and IFRS, see Annex A.

In addition, in this Offering Memorandum, we have reclassified and renamed certain Italian GAAP line items of the B&B income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed B&B income statement and balance sheet line items presented herein differ from the corresponding income statement and balance sheet line items contained in the B&B Consolidated Financial Statements included in the financial pages to this Offering Memorandum. Tables setting forth a reconciliation of the reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex C. For an explanation of the key income statement items, see "*Management's discussion and analysis of financial condition and results of operations—B&B*". Historically, B&B has prepared its financial statements in accordance with Italian GAAP. Because there are differences between Italian GAAP and IFRS as listed in Annex A, if B&B were to prepare its financial statements on the basis of IFRS instead of Italian GAAP, there could be differences in B&B results of operations, cash flows and financial position, including levels of indebtedness. See "*Risk Factors—Risks Related to Our Business—The B&B Consolidated Financial Statements are based on Italian GAAP and the LP Consolidated Financial Statements are based on Danish GAAP, and there may be differences between B&B's financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP, and between Louis Poulsen's financial position and results of operations prepared in accordance with Danish GAAP and IFRS or U.S. GAAP. In addition, should B&B decide to adopt IFRS as its accounting reporting method, this could potentially result in material changes to certain of B&B's financial information from the B&B information presented in this Offering Memorandum*".

We present in this Offering Memorandum certain financial information on B&B sales channels, including a revenue breakdown for the periods under review by sales channel and geographical area. See "*Target Historical Revenue Breakdowns and Group Aggregated LTM Revenue Breakdowns*". Such financial information is based on B&B management accounts, which marginally differ from B&B's statutory accounts and do not have the same level of details, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. In particular, revenue from long-term projects is accounted for (i) in B&B's management accounts, each time a specific project milestone is achieved and recognized by the customer; and (ii) in B&B's statutory accounts, entirely at the completion of the relevant project.

Following the consummation of the Transactions, B&B will be a direct subsidiary of the Issuer.

Unaudited financial information of each Target for the twelve months ended June 30, 2018

The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the three Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by taking the results of operations of the relevant Target for the six months ended June 30, 2018 and adding it to the results of operations of such Target for the full year ended December 31, 2017 and subtracting the results of operations of such Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Targets financial reporting and has not been audited or reviewed.

Unaudited Pro Forma Condensed Combined Financial Information

We also present in this Offering Memorandum certain unaudited pro forma condensed combined financial information of the Issuer (including the combined Target Group) for the year ended

December 31, 2017, and for the six months ended June 30, 2017 and 2018 and for the twelve months ended June 30, 2018 (the "**Unaudited Pro Forma Condensed Combined Financial Information**"). See "*Unaudited Pro Forma Condensed Combined Financial Information*".

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared for illustrative purposes only to give effect to the Acquisitions, the Financing and the Refinancing (the "**Transactions**") and the repayment of certain financial indebtedness in connection with the LP Acquisition as if they had occurred on:

- January 1, 2017 for purposes of the income statement for the six months ended June 30, 2017 and for the year ended December 31, 2017;
- January 1, 2018 for purposes of the income statement for the six months ended June 30, 2018; and
- June 30, 2018 for purposes of the statement of financial position.

The Unaudited Pro Forma Condensed Combined Financial Information should not be considered indicative of the actual results that would have been achieved had the Transactions been completed on the dates assumed and does not purport to be illustrative of our future combined results of operations or financial position. Our actual results may differ significantly from those reflected in the Unaudited Pro Forma Condensed Combined Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Information.

The Unaudited Pro Forma Condensed Combined Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The Unaudited Pro Forma Condensed Combined Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information, that the Issuer's management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transactions and the acquisition of LP by Investindustrial in August 2018, are expected to have a continuing impact on the Issuer and are factually supportable. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Condensed Combined Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transactions on the pro forma combined condensed statements of financial position and pro forma combined condensed income statement, the Unaudited Pro Forma Condensed Combined Financial Information should be read and interpreted without attempting to reconcile such data.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with:

(i) "*The Transactions*", "*Use of Proceeds*", "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*";

(ii) The Issuer Audited Financial Statements at October 20, 2018 and for the period from September 10, 2018 (date of incorporation) to October 20, 2018 included elsewhere in this Offering Memorandum. The Issuer is a holding company that was incorporated on September 10, 2018 for the purpose of facilitating the Transactions and has no material assets or liabilities and is not involved in any operating activity;

(iii) the Flos 2017 Consolidated Financial Statements, the LP 2017 Consolidated Financial Statements and the B&B 2017 Consolidated Financial Statements, included elsewhere in this Offering Memorandum;

(iv) the Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, the LP 2018 H1 Unaudited Consolidated Financial Statements and the B&B 2018 H1 Unaudited Consolidated Financial Statements, included elsewhere in this Offering Memorandum; and

(v) Annex C and Annex D.

Basis of preparation

The Unaudited Pro Forma Condensed Combined Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transactions. The accounting policies adopted in preparing the Unaudited Pro Forma Condensed Combined Financial Information are based on the International Financial Reporting Standards ("**IFRS**"), endorsed by the European Union. The historical financial information of B&B and LP listed below have been prepared on the basis of Italian GAAP and Danish GAAP, respectively, and have been converted into IFRS for the purposes of preparing the Unaudited Pro Forma Condensed Combined Financial Information. For a description of the material differences between IFRS and Italian GAAP and Danish GAAP, please see Annex A and Annex B. The conversion of the financial information of B&B and LP into IFRS for the purposes hereof does not imply that B&B and LP have applied IFRS 1 "First Time Adoption of IFRS".

Unless otherwise indicated, all amounts set forth in the Unaudited Pro Forma Condensed Combined Financial Information are expressed in millions of euro. Accordingly, such amounts have been subject to rounding adjustments and, as a result, the totals of the financial information in the Unaudited Pro Forma Condensed Combined Financial Information may vary from the actual arithmetic totals of such information.

Accounting for the Acquisitions

The Issuer from an accounting perspective can be regarded as a joint venture incorporated for the purpose of the consummation of the Transactions. The Acquisitions, as described under "*Summary—The Transactions*", consist of a combination of cash contribution and contribution of investments in Flos, B&B and LP into the Issuer measured at fair market value. At closing of Acquisitions, the two Sponsors will indirectly own equal equity interests in the Targets through the Issuer. Following the consummation of the Acquisitions, B&B, Flos and LP will be wholly-owned subsidiaries of the Issuer. The Issuer, following the consummation of the Acquisitions, will prepare its consolidated financial statements under IFRS as adopted by the EU and will account for the Acquisitions applying IFRS 2 "Share-based Payments" and IFRS 3 "Business Combination" as an accounting policy election applicable to joint ventures upon formation.

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

The valuation studies necessary to determine the fair value of the assets acquired and liabilities assumed as a result of the Transactions and the related allocation of the consideration transferred has not yet commenced. Therefore, the difference between (a) the total consideration expected to be transferred and (b) the net carrying amounts of the identifiable assets acquired and the liabilities assumed by the Issuer on the completion date of the Acquisitions (the "**Completion Date**") have been fully allocated to goodwill in the unaudited pro forma condensed combined financial information. The fair value on the date of the acquisition of the assets acquired and the liabilities assumed may likely differ significantly from the amounts reflected in the Issuer's unaudited pro forma condensed combined financial information.

The main account balances that will be impacted on a preliminary basis by the net recognized amount of the identifiable assets acquired and liabilities assumed at fair value, once determinable, will be Intangible assets, Trademarks, Property, plant and equipment and Inventory. We believe that significant changes in the amount of goodwill recognized in relation to the Acquisitions may arise due to the final determination of the acquisition accounting, which could result in a material change in our amortization and depreciation expense relating to identifiable assets acquired.

Accounting for the Financing

The Issuer plans to finance the Acquisitions by using a portion of the proceeds of the offering of the Notes. In accordance with IFRS 9, the financial liability arising in connection with the issuance of the Notes is accounted for at amortized cost.

Accounting for the Refinancing

The issue of the Notes and the cash contribution for the Acquisitions will be used to refinance the existing facilities at each of Flos, LP and B&B. In accordance with IFRS 9, a financial liability should be removed from the statement of financial position when, and only when, it is extinguished; that is, when the obligation specified in the relevant contracts are discharged or cancelled or expired. The accounting treatment of a debt restructuring depends on whether the modified terms (or new debt instrument) are "substantially different" to the previous terms (or debt instrument). The Refinancing will repay and replace substantially all of the existing facilities at Flos, LP and B&B and is accounted for as extinguishment of the existing liabilities and the recognition of a new liability at amortized cost.

Target Historical Revenue Breakdowns and Group Aggregated LTM Revenue Breakdowns

We present in this Offering Memorandum certain breakdowns of (i) each of B&B's, Flos' and Louis Poulsen's historical revenue by business division or sales channel and by geographical area, based on each company's management accounts, for the years ended December 31, 2015, 2016 and 2017, the six months ended June 30, 2017 and 2018 and the twelve months ended June 30, 2018 (the "**Target Historical Revenue Breakdowns**") and (ii) the Aggregated LTM Revenue of the Group by product category, brand, sales channel and geographical area for the twelve months ended June 30, 2018 (the "**Group Aggregated LTM Revenue Breakdowns**"). For the Target Historical Revenue Breakdowns, see "*Summary Pro Forma and Historical Financial Information and Other Data Historical Financial Information of Each Target—Flos Historical Financial Information—Other Flos Financial and Operating Data*", "*Summary Pro Forma and Historical Financial Information and Other Data—Historical Financial Information of Each Target—LP Historical Financial Information—Other LP Financial and Operating Data*", and "*Summary Pro Forma and Historical Financial Information and Other Data—Historical Financial Information of Each Target—B&B Historical Financial Information—Other B&B Financial and Operating Data*". The Target Historical Revenue Breakdowns reflect the historical presentation that each of B&B, Flos and Louis Poulsen utilizes in its respective management accounts, but are not the same as the Group Aggregated LTM Revenue Breakdowns. The Target Historical Revenue Breakdowns presented for B&B are based on a revenue line item in its management accounts that differs from the corresponding line item in the B&B's statutory accounts, mainly relating to the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. In particular, revenue from long-term projects is accounted for (i) in B&B's management accounts, each time a specific project milestone is achieved and recognized by the customer whereas (ii) in B&B's statutory accounts, entirely at the completion of the relevant project. As such, the Target Historical Revenue Breakdowns for B&B are inherently subject to risks and uncertainties, may not give an accurate or complete picture of B&B's results of operations and should not be relied upon when making an investment decision.

The presentation of the Group Aggregated LTM Revenue Breakdowns is not consistent with the presentation of the Target Historical Revenue Breakdowns as the Group is a combination of

companies that have historically been operated separately. The Group Aggregated LTM Revenue Breakdowns aim to illustrate the various categories of revenue, presented by product category, brand, sales channel and geographical area, as part of the combined Group, giving effect to the completion of the Acquisitions. The methodology behind the calculation of Group Aggregated LTM Revenue Breakdowns assumes that the three Targets are internal divisions of the same Group. It is based on the systematic categorization of types of revenues under the same categories by product, brand, sales channel and geographical area across the three Targets, not following necessarily the categorization used by management of each Target when the relevant business had been operated separately. Consequently, the Group Aggregated LTM Revenue Breakdowns, while not consistent with the Target Historical Revenue Breakdowns, illustrate better in management's view how Group revenues are expected to be split by product, brand, sales channel and geographical area, following the completion of the Acquisitions. The relationship between the Group Aggregated LTM Revenue Breakdowns and the Target Historical Revenue Breakdowns is discussed under "*—Product Category*", "*—Sales Channels*" and "*—Geographical Area*" below. In addition, the Group Aggregated LTM Revenue Breakdowns are based on Aggregated LTM Revenue, which is a sum of revenue as provided in the management accounts of each of Flos, B&B and LP. These management accounts have been prepared under different accounting principles using different recognition and measurement criteria and as such are not directly comparable. As a result, the Group Aggregated LTM Revenue Breakdowns are inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and are not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

The Group Aggregated LTM Revenue Breakdowns are being presented for information purposes because we believe that they provide a useful measure of our combined results of operations. However, they have not been audited or reviewed in accordance with any generally accepted auditing standards and do not necessarily reflect the product categories, divisions or channels on which the Group will report going forward. Accordingly, any reliance you place on this information should fully take this into consideration. The descriptions below summarize the composition of each of the Group Aggregated LTM Revenue Breakdowns.

Product Category

We present a breakdown of Aggregated LTM Revenue of the Group by the following product categories:

(i) *lighting (indoor)*, comprising revenue from the Flos decorative, architectural and custom divisions and the Louis Poulsen B2C and B2B indoor divisions;

(ii) *lighting (outdoor)*, comprising revenue from the sale of Flos outdoor products and from the Louis Poulsen B2B outdoor division;

(iii) *living room and bedroom*, comprising revenue from the B&B home division;

(iv) *kitchen*, comprising revenue from the B&B Arclinea division;

(v) *outdoor furniture*, comprising revenue from the B&B Italia Outdoor portion of the B&B home division; and

(vi) *other furniture*, comprising revenue from the B&B contract division.

Together, the living room and bedroom, kitchen, outdoor furniture and other furniture product categories comprise the furniture category, and the lighting (indoor) and lighting (outdoor) product categories comprise the lighting category.

Brand

We present a breakdown of Aggregated LTM Revenue by lighting brands (Flos and Louis Poulsen) and furniture brands (B&B Italia, Maxalto and Arclinea, all of which are owned by B&B).

Sales Channels

We present a breakdown of Aggregated LTM Revenue by the following sales channels:

(i) *Wholesale*, comprising decorative, architectural and outdoor products sold through the Flos third-party dealer network, home and Arclinea products sold through the B&B wholesale network and B2C products sold through the Louis Poulsen third-party point of sale network, each including third-party online sales;

(ii) *Contract*, comprising products sold through the Flos custom division, the B&B contract division and the Louis Poulsen B2B division;

(iii) *Directly operated stores* ("**DOS**"), comprising decorative, architectural and outdoor products sold through Flos' DOS and home and Arclinea products sold through B&B's DOS. Louis Poulsen does not currently have any sales through DOS; and

(iv) *Direct online sales*, comprising decorative, architectural and outdoor products sold through Flos' direct e-commerce website in the U.S. and B2C products sold through Louis Poulsen's direct e-commerce websites in Denmark, Sweden, Norway and Germany. B&B does not currently have any direct online sales.

Geographical Area

The breakdown of Aggregated LTM Revenue by geographical area includes the following territories: (i) Nordics (comprises Denmark, Sweden, Norway and Finland), (ii) Italy, (iii) Germany, (iv) France, (v) Benelux, (vi) Other Europe, (vii) U.S., (viii) Other Americas, (ix) China and Japan, (x) Other APAC (includes New Zealand and Australia) and (xi) Rest of World. This breakdown does not match the breakdown by geographical area historically utilized by Flos, Louis Poulsen or B&B as discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", as prominence had historically been given by each company to the geographic markets that were particularly relevant to it, such as the Nordics for Louis Poulsen and Italy for Flos and B&B.

Acquisition Accounting

The Issuer will account for the Acquisitions at fair value applying IFRS 3 "*Business Combinations*" and IFRS 2 "*Share-based Payments*" for the cash portion of the Equity Contribution. Under IFRS 3 "*Business Combinations*", the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill.

The historical consolidated financial statements of the Targets included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the relevant consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of acquisition accounting adjustments to be applied as a result of the Acquisitions. The application of acquisition accounting adjustments could result in different carrying values for existing assets of the Targets and assets we may add to our consolidated statement of financial position, which may include intangible assets such as goodwill and trademarks, and different amortization and depreciation expenses. Our consolidated financial statements are likely to be materially different from the consolidated financial statements included in this Offering Memorandum once the acquisition

accounting adjustments have been made. In particular, following the Completion Date, the Issuer will undertake normal acquisition accounting procedures that are expected to affect future financial information of the Group.

Since the Acquisitions have not been consummated as of the date of this Offering Memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of each of the Acquisitions. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the purchase price allocation. In addition, the acquisition accounting for the Investindustrial acquisition of Louis Poulsen has not yet been completed.

Non-GAAP Financial Measures

This Offering Memorandum contains non-GAAP measures and ratios, in addition to the Target Historical Revenue Breakdowns and the Group Aggregated LTM Revenue Breakdowns discussed above, including EBITDA, Adjusted EBITDA, Target Group Synergized EBITDA, Combined Cash Conversion, Aggregated LTM Revenue, Target Group EBITDA, Target Group Adjusted EBITDA, Pro Forma Cash Interest Expense, Pro Forma Financial Debt, Reported EBITDA, Combined Reported EBITDA, Combined Total Revenues, Combined Capital Expenditures and Combined Net Working Capital that are not required by, or presented in accordance with, GAAP. The primary non-GAAP measures presented in this Offering Memorandum are defined by us as set out below.

We define "**EBITDA**", in connection with each Target, as Net profit (loss) for the period excluding the effect of (i) income taxes, (ii) net financial income (charges) and (iii) amortization and depreciation, on the basis of the income statement of each of Flos, LP and B&B presented in accordance with IFRS, as derived from the Issuer's unaudited pro forma condensed combined financial information set forth in "*Unaudited Pro Forma Condensed Combined Financial Information*". Accordingly, amounts for LP and B&B have been reclassified from Danish GAAP and Italian GAAP, respectively, into IFRS and, with respect to LP, converted from DKK into euro at the average exchange rate of DKK per euro for the period. Flos' Consolidated Financial Statements are already presented under IFRS and, accordingly, no conversion was required for the calculation of EBITDA. For additional information, see "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Financial Condensed Combined Information—Target Group Synergized EBITDA*".

We define "**Adjusted EBITDA**" as EBITDA of each Target adjusted for certain non-core and non-recurring items occurred in the relevant period. For additional information, see "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Financial Condensed Combined Information—Target Group Synergized EBITDA*".

We define "**Target Group EBITDA**" as the sum of the EBITDA of each of the Targets for the relevant period.

We define "**Target Group Adjusted EBITDA**" as the sum of the Adjusted EBITDA of each of the Targets for the relevant period.

We define "**Target Group Synergized EBITDA**" as Target Group Adjusted EBITDA, as further adjusted for certain cost saving initiatives, revenue synergies and certain other adjustments. For additional information, see "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Financial Condensed Combined Information—Target Group Synergized EBITDA".* See also "*Risk Factors— Risks Related to Our Business—Our Target Group Synergized EBITDA presented in this Offering Memorandum is based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*".

We define "**Aggregated LTM Revenue**" as the sum of revenue as provided in the management accounts of each Target for the twelve months ended June 30, 2018. This item is used for the calculation of the Group Aggregated LTM Revenue Breakdowns. Each of these management

accounts has been prepared under different accounting standards using different recognition and measurement criteria and as such are not directly comparable. As a result, Aggregated LTM Revenue is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

We define "**Combined Total Revenues**" as the sum of the total revenues presented in each of the Flos Consolidated Financial Statements, the income statement of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors (see Annex D) and the income statement of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors (see Annex C). Each of these financial statements has been prepared under a different accounting standard (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Total Revenues is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary Target Group Financial Information*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

We define "**Reported EBITDA**", in connection with each Target, as Net profit (loss) for the period excluding the effect of (i) income taxes, (ii) net financial income (charges) and (iii) amortization and depreciation calculated on the basis of the income statement of each of Flos, LP and B&B presented in this Offering Memorandum in accordance with its respective accounting principles (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) and, with respect to LP and B&B, as reclassified in order for the presentation to be in a format that is more typical for international investors. See Annex C and Annex D. For Flos, EBITDA corresponds to Reported EBITDA. For more information, see "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—LP Historical Financial Information—LP Reported EBITDA*" and "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—B&B Historical Financial Information—B&B Reported EBITDA*".

We define "**Combined Reported EBITDA**" as the sum of the Reported EBITDA of each of the Targets for the relevant period. See "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Other Aggregated Financial Information of the Target Group—Combined Reported EBITDA*".

We define "**Combined Capital Expenditures**" as the sum of maintenance capital expenditures and growth capital expenditures of each of the Targets, as derived from each Target's respective management accounts. Each of the Targets' management accounts has been prepared under a different accounting standard using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Capital Expenditures is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary Target Group Financial Information*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different*

accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable".

We define "**Combined Net Working Capital**" as the sum of trade receivables and inventories less trade payables for each of the Targets, as derived from the Flos Consolidated Financial Statements, the statement of financial position of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors (see Annex D) and the statement of financial position of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors (see Annex C). Each of these financial statements has been prepared under a different accounting standard (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Net Working Capital is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary Target Group Financial Information*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

We define "**Combined Cash Conversion**" as the ratio of Combined Reported EBITDA less Combined Capital Expenditures to Combined Reported EBITDA. Historical financial information for each of the Targets has been prepared under different accounting standards using different recognition and measurement criteria and as such is not directly comparable. As a result, Combined Cash Conversion is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

We define "**Pro Forma Cash Interest Expense**" as the cash interest expense of the Issuer for the twelve months ended June 30, 2018, after giving effect to the Transactions as if they had occurred on July 1, 2017 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) €320.0 million Floating Rate Notes issued at 100.0% and carrying an interest rate of three-month EURIBOR plus 6.00% (assuming the three-month EURIBOR rate as of the date here of was in effect for the entire period), and (ii) €400.0 million 6.50% Fixed Rate Notes issued at 100.0%. Pro Forma Cash Interest Expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility or interest accruing on the €11.8 million of other financial liabilities that we expect will remain outstanding following the Transactions (mainly consisting of financial leasing, local and short-term uncommitted unsecured credit facilities and deferred purchase price obligations, as further described under "*Capitalization*") and is calculated gross of the debt issuance costs in connection with the Transactions.

We define "**Pro Forma Financial Debt**" as the Issuer's consolidated gross financial debt (net of cash and cash equivalents of zero) as of the date indicated after giving pro forma effect to the Transactions and assuming the gross amount of the Notes as if they had occurred on June 30, 2018. For further information, see "*Capitalization*". Pro Forma Financial Debt does not include amounts outstanding as of the Issue Date under the Revolving Credit Facility. We expect that the Revolving Credit Facility will be undrawn on the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions.

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

Target Group Synergized EBITDA, Target Group Adjusted EBITDA and Target Group EBITDA are included in this Offering Memorandum because we believe that they provide a useful measure of our combined results of operations; however, these measures do not constitute measures of financial performance under GAAP and you should not consider Target Group Synergized EBITDA, Target Group Adjusted EBITDA or Target Group EBITDA as alternatives to operating profit or any other performance measure derived in accordance with GAAP or as measures of our results of operations or liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently from us, and therefore such financial measures may not be comparable to other similarly titled measures of other companies.

The unaudited Target Group Synergized EBITDA information presented in this Offering Memorandum is inherently subject to risks and uncertainties. It does not present our reported results of operations for the twelve months ended June 30, 2018, and is not comparable to Flos', B&B's or LP's respective consolidated financial statements or other financial information included elsewhere in this Offering Memorandum. In addition, Target Group Synergized EBITDA does not purport to indicate our future consolidated results of operations. Our actual results may differ significantly from those reflected in our Target Group Synergized EBITDA. The calculations of Target Group Synergized EBITDA are based on various assumptions and management estimates. The unaudited Target Group Synergized EBITDA information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the financial condition or results of operations of the acquired entities prior to their acquisition by us or may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum and should not be relied upon when making an investment decision. See "*Risk Factors—Risks Related to Our Financial Information—Our Target Group Synergized EBITDA presented in this Offering Memorandum is based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors".*

For a reconciliation of EBITDA, Adjusted EBITDA Reported EBITDA, Combined Reported EBITDA, Target Group EBITDA, Target Group Adjusted EBITDA, Combined Total Revenues, Combined Capital Expenditure, Combined Net Working Capital, Pro Forma Financial Debt and Target Group Synergized EBITDA to each of Flos', B&B's and LP's respective profit (loss) for the year, see "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Summary of Pro Forma Condensed Combined Financial Information—Pro Forma Other Financial Information*" and "Summary Target Group Financial Information Combined".

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

We present non-GAAP measures because we believe that they are widely used by securities analysts and other interested parties as supplemental measures of performance and liquidity. By eliminating potential differences in results of operations between periods or companies caused

by factors such as depreciation and amortization, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe that non-GAAP measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that non-GAAP measures are regularly used by the investment community as a means of comparison of companies in our industry.

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

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

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

Non-Financial Operating Data

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

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary from the actual arithmetic totals of such information. In this Offering Memorandum, Louis Poulsen consolidated

financial information are rounded to the nearest million without decimals. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the rounded numerical data included in this Offering Memorandum and not the numerical data in each of the Targets' consolidated financial statements or the relevant entity's internal accounting system. With respect to financial information set out in this Offering Memorandum, a dash ("—") signifies that the relevant figure is zero or rounded to zero.

Trademarks and Trade Names

The Group owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Group asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder.

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

PRESENTATION OF INDUSTRY AND MARKET DATA

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

Industry reports, publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

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

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

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

EXCHANGE RATE INFORMATION

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

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

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be. The Bloomberg Composite Rate of the euro on November 9, 2018 was $1.1332 per €1.00.

	U.S.$ per €1.00			
	Period Average	High	Low	Period End
Year				
2013	1.3300	1.3789	1.2819	1.3789
2014	1.3209	1.3866	1.2100	1.2100
2015	1.1096	1.2010	1.0492	1.0866
2016	1.1069	1.1527	1.0384	1.0547
2017	1.1300	1.2026	1.0427	1.2022
Month				
April 2018	1.2278	1.2390	1.2101	1.2101
May 2018	1.1992	1.2017	1.1967	1.1967
June 2018	1.1678	1.1808	1.1570	1.1677
July 2018	1.1683	1.1747	1.1600	1.1705
August 2018	1.1547	1.1718	1.1342	1.1595
September 2018	1.1663	1.1773	1.1561	1.1614
October 2018	1.1484	1.1586	1.1306	1.1306
November 2018 (through November 9, 2018)	1.1399	1.1464	1.1332	1.1332

The following table shows, for the periods set forth below, high, low, average and period end Bloomberg Composite Rate expressed as DKK per U.S.$1.00. The Bloomberg Composite Rate of the Danish krone on November 9, 2018 was DKK 6.5823 per U.S. $1.00.

	DKK per U.S.$1.00			
	Period Average	High	Low	Period End
Year				
2013	5.6168	5.8356	5.4033	5.4101
2014	5.6206	6.1533	5.3596	6.1533
2015	6.7242	7.1078	6.1557	6.8683
2016	6.7303	7.1588	6.4559	7.0496
2017	6.5982	7.1294	6.1871	6.1922
Month				
April 2018	6.0670	6.1577	6.0114	6.1577
May 2018	6.3018	6.4457	6.2004	6.3776
June 2018	6.3798	6.4425	6.3077	6.3804
July 2018	6.3787	6.4237	6.3450	6.3663
August 2018	6.4575	6.5728	6.3640	6.4294
September 2018	6.3952	6.4500	6.3364	6.4211
October 2018	6.4962	6.5994	6.4405	6.5994
November 2018 (through November 9, 2018)	6.5442	6.5823	6.5070	6.5823

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as DKK per €1.00. The Bloomberg Composite Rate of the Danish krone on November 9, 2018 was DKK 7.4592 per €1.00.

	DKK per €1.00			
	Period Average	High	Low	Period End
Year				
2013	7.4580	7.4634	7.4522	7.4603
2014	7.4548	7.4667	7.4370	7.4451
2015	7.4588	7.4743	7.4313	7.4629
2016	7.4453	7.4647	7.4329	7.4350
2017	7.4388	7.4507	7.4328	7.4441
Twelve months ended June 30, 2018	7.4443	7.4550	7.4357	7.4504
Month				
April 2018	7.4485	7.4514	7.4462	7.4506
May 2018	7.4483	7.4508	7.4424	7.4442
June 2018	7.4498	7.4542	7.4498	7.4504
July 2018	7.4522	7.4550	7.4486	7.4519
August 2018	7.4558	7.4597	7.4511	7.4544
September 2018	7.4583	7.4609	7.4542	7.4572
October 2018	7.4599	7.4619	7.4560	7.4612
November 2018 (through November 9, 2018)	7.4595	7.4604	7.4586	7.4592

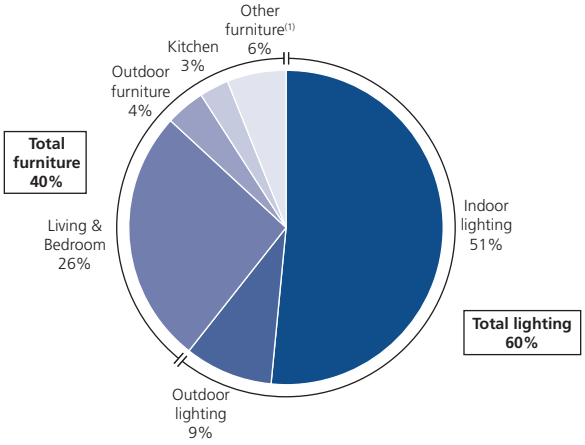
SUMMARY

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

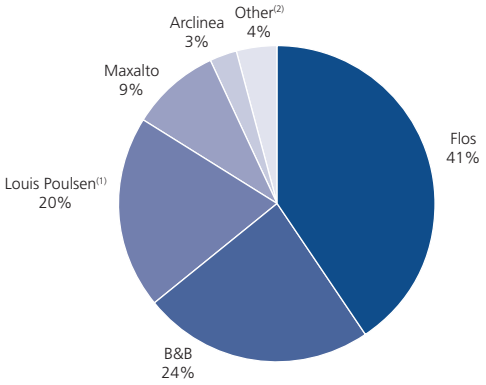
Overview

We design, produce, distribute and sell high-end lighting and furniture solutions, bringing together three companies with leading positions in the global high-end design market: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With Pro Forma Group Revenue of €534.5 million, Target Group Synergized EBITDA of €135.3 million and Pro Forma Group Net Profit of €33.0 million for the twelve months ended June 30, 2018, we are the global leader in the high-end design market. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. We believe that the joint strategic direction of these three standalone businesses, together with our long-standing relationships with top designers and specifiers (parties that are involved in our customers' purchasing decisions but are not the end users, such as architects, developers and lighting engineers), our recognizable and strong brands, our broad and diversified offering of top quality products, our extensive geographical footprint and the omni-channel approach of our distribution network will generate cost and revenue synergies, expand our customer reach and product portfolio and position us well to deliver strong cash generation and growth, with the goal of becoming the one-stop shop for high-quality design furniture and lighting products for both individuals and businesses around the world.

For the twelve months ended June 30, 2018, we generated approximately 60% of our Aggregated LTM Revenue from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for approximately 40% and approximately 20% of such Aggregated LTM Revenue, respectively. We would have generated approximately 40% of our Aggregated LTM Revenue from the furniture category, which includes, amongst other product categories, living room and bedroom products, outdoor products and kitchens, with our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group) accounting for approximately 24%, approximately 9% and approximately 3% of such Aggregated LTM Revenue, respectively. The following charts set forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by product category and brand:



(1) Other furniture includes revenues from B&B's Contract division and from B&B bathroom products.



(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Other includes revenus from B&B's Contract division that are not branded B&B Italia, Maxalto or Arclinea.

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

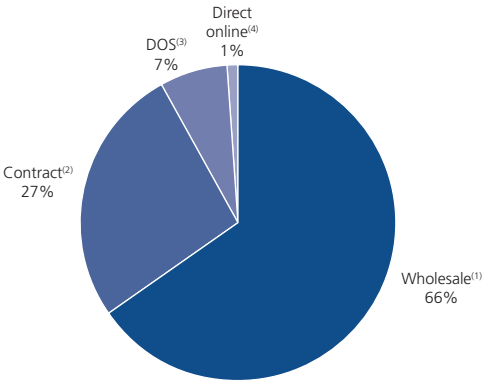
(i) *Wholesale.* Our wholesale channel comprises over 4,700 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

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

(iii) *Directly-Operated Stores* ("**DOS**"). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos and B&B, either individually by company or in a combination with products from our other companies; and

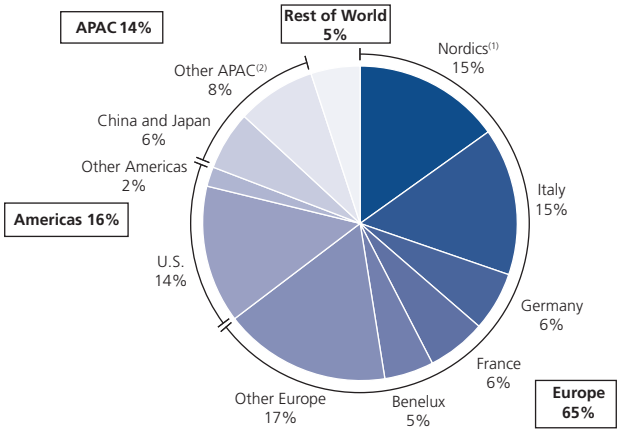
(iv) *Direct online*. Our direct online channel consists of e-commerce websites selling products from Flos in the U.S. and Louis Poulsen in Denmark, Sweden, Norway and Germany.

The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by sales channel:



(1) Wholesale includes all of Louis Poulsen's B2C Division revenues, excluding revenues derived from the direct online channel.
(2) Contract includes all of Louis Poulsen's B2B Division revenues.
(3) DOS includes revenues from directly operated Flos and B&B stores.
(4) Direct online includes revenues from Flos' U.S. e-commerce website and LP's direct e-commerce websites in Denmark, Sweden, Norway and Germany.

We operate directly or indirectly in more than 80 countries around the world. The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by geography:



(1) Nordics includes Denmark, Sweden, Norway and Finland.
(2) Other APAC includes New Zealand and Australia.

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

attract up-and-coming design talents have enabled us to complement our heritage collection with successful new products that have reinforced the growth of each of our brands over the years.

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of each of our companies, including expanding or revamping websites and focusing on driving customer engagement through digital channels, with an inbound marketing tool for business-to-business ("**B2B**") lead generation introduced at Flos, a new customer relationship management ("**CRM**") portal under development at B&B and a partner portal with associated sales application, content hub and loyalty program in development at Louis Poulsen. We are continuing to invest in the digitalization of our business model in order to create and support direct relationships with current and future clients and enable us to access a new younger, affluent and urban customer base.

We believe that the combination of the businesses and brands present opportunities for revenue synergies, including through the selective expansion of the store network, cross-selling among brands, new retail concepts that include products from all three brands, a combined project team within the contract channel that will be well placed to deliver technical and design knowledge across a variety of sectors utilizing complementary combinations of Flos, Louis Poulsen and B&B products, and a joint e-commerce initiative. We expect that the integration of certain administrative functions of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the development of a combined IT platform, the implementation of an efficient inventory and receivables management program and the expansion of B&B's headquarters in Novedrate to support business growth, while maintaining the unique, individual design identity that characterizes each brand. See "*—Our Strategies—Drive operational excellence and maximize synergy deployment from Group integration*". Additionally, we believe the Italian and Danish design philosophies underpinning our brands are complementary and maintain distinctive appeal to customers.

Our Competitive Strengths

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

Leadership position in a fragmented high-end design market with highly attractive growth prospects

We estimate that we are the largest global design company by revenue in the fragmented high-end design market. With €534.5 million in Pro Forma Group Revenue, Target Group Synergized EBITDA of €135.3 million and Pro Forma Group Net Profit of €33.0 million for the twelve months ended June 30, 2018, we believe we were approximately 1.5 times larger than our closest competitor based on our analysis of publicly available financial data for 2016 and 2017. The high-end design market, the size of which was estimated at approximately €34 billion in 2016 in retail selling price terms, has been growing steadily since the 2009 global financial crisis, with a compound annual growth rate ("**CAGR**") of 4% from 2012 to 2016. Within the high-end design market, our core product categories of living and bedroom and lighting were the fastest growing segments, with an average CAGR of approximately 5% between 2012 and 2016, outpacing global macroeconomic growth. The growth of the high-end design market is expected to continue at a CAGR of between 3% and 5% from 2016 to 2020, supported by favorable market drivers such as increased global GDP, decreased unemployment and strong housing markets, with greater growth expected in the Asia Pacific ("**APAC**") region, North America and other non-European geographic regions.

Within the high-end design market, lighting is expected to be the fastest growing segment, with an expected CAGR of approximately 4-5% from 2016 to 2020. This growth is expected to primarily be driven by the rapid technological development in the sector, including the shift to LED technology, the development of energy-efficient lighting solutions and compatibility with smart control systems. In particular, the shift to LED, with its lower manufacturing costs, ease of large scale production and versatility, allows us to expand our lighting product portfolios in an innovative and cost-efficient

manner including through developing shapes or styles of lighting products that were not possible without LED technology, such as the Arrangements collection from Flos.

The living and bedroom segment is expected to be the second-fastest growing segment, with an expected CAGR of approximately 3-4% from 2016 to 2020, primarily driven by rising standards of living worldwide, in particular in emerging markets. With more than 85% of our Aggregated LTM Revenue generated by the lighting and living and bedroom categories, we believe that we are well placed to capitalize on these growth areas in the medium term.

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

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

Our business is diversified across product categories, geographies and distribution channels. We currently operate in two product category sectors, lighting and furniture, which would have generated approximately 60% and approximately 40% of our Aggregated LTM Revenue, respectively. The lighting category may be further sub-divided into indoor and outdoor lighting, which would have generated approximately 51% and approximately 9% of our Aggregated LTM Revenue, respectively. The furniture category may be further sub-divided into living and bedroom (representing approximately 26% of our Aggregated LTM Revenue), kitchen (representing approximately 3% of our Aggregated LTM Revenue for such period), outdoor furniture (representing approximately 4% of our Aggregated LTM Revenue) and other furniture (including revenue from the B&B Contract division and from B&B bathroom products and generating approximately 6% of our Aggregated LTM Revenue).

Geographically, our business benefits from a diversified reach, with more than 80 countries served and no one country generating more than approximately 15% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018. Customers outside of our home geographies of Italy and the Nordics generated approximately 70% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, with non-European sales representing approximately 36% of our Aggregated LTM Revenue for such period. Customer growth in recent years has been primarily driven by the Americas and the APAC region, with these regions generating approximately 17% and approximately 14% of our Aggregated LTM Revenue for such period. We expect the APAC region and the Americas to continue to drive growth, with consistent demand also expected in the Nordics and Western Europe.

We also benefit from a diversified distribution network comprised of four distribution channels (wholesale, contract, DOS and direct online sales) enabling us to reach a broad range of customers in a cost-efficient manner. For further details on our distributions channels, see "*—Omni-channel distribution network optimizing client reach and maximizing brand strength*".

Finally, in addition to a diversified mix of product categories, geographies and distribution channels, we benefit from low customer concentration risk. For the twelve months ended June 30, 2018, Flos' top 10 customers generated 10.4% of Flos' revenue, with no one customer generating more than 3.1% of Flos' revenue, and Louis Poulsen's top 10 customers generated 3.9% of Louis Poulsen's revenue, with no one customer generating more than 1.0% of Louis Poulsen's revenue. During the same period, B&B's top ten customers generated 16.3% of B&B's revenue, with no one customer accounting for more than 2.6% of B&B's revenue (in each case excluding Arclinea).

Highly resilient portfolio of iconic designs and breakthrough innovations

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

In addition, we believe that the balance between iconic and innovative products in our portfolio also translates into limited concentration risk in terms of revenue, with the 30 products representing the top ten best-selling products from each of Flos, Louis Poulsen and B&B generating in aggregate only approximately 27% of our Combined Total Revenue for the year ended December 31, 2017. Many of our products also benefit from high product longevity, with designs from as early as 1925 continuing to be popular and to inform the development and production of new designs. For the year ended December 31, 2017, our iconic products (*i.e.*, lighting products designed before 1980 and furniture products designed before 2000) accounted for approximately 9% of our Combined Total Revenue.

Our internal research and product development teams work closely with our designers to continually update and reconfigure iconic pieces to meet the evolving needs and tastes of our customers while maintaining the identity of each of our brands and the distinctive original features that loyal customers worldwide have long associated with our products. We also launch new products on an ongoing basis to complement our portfolio of heritage designs. For the years ended December 31, 2015, 2016 and 2017, each of Flos, Louis Poulsen and B&B launched 16, 14 and 13 new products (including upgrades of existing products) on average per year, respectively. Over the same periods, 28.1%, 20.0% and 21.6% of Flos, Louis Poulsen and B&B revenue, respectively, derived from the sale of products launched since 2013. Our efforts in research and product development and innovation in both design and technology ensure both the longevity of our iconic products and the continued introduction of creative and successful new designs.

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

We operate our brands through four distribution channels: wholesale, contract, DOS and direct online sales. This omni-channel distribution network helps us in our efforts to optimize client reach and maximize the strength of our brands. For the twelve months ended June 30, 2018, the wholesale channel generated approximately 66% of our Aggregated LTM Revenue, the contract channel approximately 27% of our Aggregated LTM Revenue, the directly-operated store network approximately 7% of our Aggregated LTM Revenue and direct online sales approximately 1% of our Aggregated LTM Revenue.

Wholesale

Within the wholesale channel, we sell Flos products through approximately 2,400 third-party points of sale, Louis Poulsen products through approximately 1,300 third-party points of sale and B&B products through over 1,000 third-party points of sale (of which approximately 300 carry Arclinea kitchens), with locations in over 80 countries around the world. These include brick-and-mortar sales points and online third-party dealers, in a range of formats from third-party mono-brand stores to shops-in-shops, corners and displays located in third-party multi-brand stores. The wholesale channel enables us to increase customer reach while limiting distribution costs. We benefit from long-standing customer relationships within our wholesale channel, with many of our dealers having sold products from our respective brands for five years or more.

Contract

Our contract channel delivers "turn-key" solutions to commercial customers on a large scale and gives us the opportunity to interact with a separate consumer demographic that is not typically accessible through traditional retail outlets, such as those in the hospitality, retail, residential design and office industries. Key customers within the contract channel include United Airlines, Salvatore Ferragamo, Apple, Bulgari Hotels, Rolex, Bentley and, especially for the outdoor lighting category of Louis Poulsen, public administrations, such as local government agencies and schools. We believe the wide variety of commercial customers and the larger scale of contract projects make our contract channel a strong vehicle for cross-selling opportunities, increasing the visibility of our products and our market penetration. Although a large proportion of contract work is currently driven by B&B, combining our brands provides us with the opportunity to broaden the scope of our contract work, offering a floor-to-ceiling contract service encompassing furnishings from B&B, kitchens from Arclinea and lighting solutions from Flos and Louis Poulsen.

DOS

Our DOS distribution channel is a powerful marketing tool that drives brand awareness, allows full control over our brands and often provides enhanced visibility to our end customers. As of June 30, 2018, Flos and B&B operated a total of seven and eight DOS, respectively, and Louis Poulsen had nine showrooms, all located in key luxury markets around the world in cities such as Milan, London, New York, Paris and Hong Kong. DOS and directly-operated showrooms are a highly valuable distribution channel as they not only drive sales, but also increase brand strength, serving as a hub for marketing events and design fairs. Louis Poulsen showrooms, while not operated as points of sale, are an important vehicle for driving sales, as customers who visit showrooms are encouraged to make purchases through the Louis Poulsen e-commerce site using sales terminals located in each showroom.

Direct Online Sales

While currently only utilized in select markets by Flos and Louis Poulsen, we believe direct online sales represent a strong growth opportunity for the Group. Louis Poulsen currently makes direct online sales in Denmark, Sweden, Norway and Germany and intends to expand its reach with a global web shop in 2019. Direct online sales are currently available through Flos' website in the United States. Although B&B does not currently conduct any direct online sales, it is considering pursuing opportunities to sell certain types of products online, such as smaller furniture items and accessories. Each of our brands also benefits from a strong digital channel and social media presence, which supports brand awareness across all of our distribution channels and supports earlier customer acquisition, as compared to traditional sales channels. B&B's corporate website, bebitalia.com, receives more visitors than the websites of any of B&B's core competitors, with an average of 260,000 visits each month in the six months ended June 30, 2018. Flos launched a new corporate website in December 2017, which in addition to receiving a Digital Design Award (a recognition awarded by an international jury for the best of Italian digital design) for Best Corporate Website and being named SiteInspire's Site of the Week, recorded approximately 850,000 unique visitors in the six months ended June 30, 2018. Louis Poulsen has recently made significant investments in its social media presence, with its number of Instagram followers reaching 150,000 in September 2018 and its number of Facebook followers reaching 65,000 in September 2018. Flos' social media accounts have one of the largest followings among Italian design companies, with a fan base of over 490,000 followers across its social media accounts (including Facebook, Instagram, LinkedIn, Pinterest and Twitter) as of the date of this Offering Memorandum. B&B also benefits from a significant social media presence, with over 100,000 followers on Facebook and over 290,000 followers on Instagram as of the date of this Offering Memorandum.

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

Our business benefits from significant competitive advantages that make our business model difficult to replicate, including our iconic product portfolio, design heritage, long-standing relationships with top designers and specifiers and strong technical know-how. Our iconic brands benefit from association with a broad base of prestigious and globally renowned designers, such as Philippe Starck, Achille and Pier Giacomo Castiglioni, Jasper Morrison and Michael Anastassiades at Flos, Louise Campbell, Øivind Slaatto and Bjarke Ingels at Louis Poulsen and Antonio Citterio, Gaetano Pesce, Naoto Fukusawa and Mario Bellini at B&B, as well as Louis Poulsen's ownership of legacy designs by Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton. We believe our privileged relationships with such designers and our ability to attract new promising designers represent a significant competitive advantage. Our relationship with designers is mutually beneficial, as it allows us to expand our brand recognition across a wider customer demographic and adds value for the designers, who gain prestige and visibility by working with top furniture and lighting brands. Some of our designers have collaborated with our brands for many years, creating a strong design relationship and mutual understanding of the needs and preferences of our customer base. Many of our designer partners have received multiple awards and recognitions for their designs and have their designs held in the collections of museums around the world. For more information on our contractual arrangements with designers, see "*Our Business—Flos—Agreements with Designers*", "*Our Business—Louis Poulsen—Agreements with Designers*" and "*Our Business—B&B—Agreements with Designers*".

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

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

Strong financial profile demonstrating resiliency through economic downturns

Our brands have demonstrated long-term business resilience throughout the economic cycle, as evidenced by long-term revenue and EBITDA development. After declining at a CAGR of approximately 10% between 2007 and 2009, our revenue and EBITDA experienced relatively steady growth, with Combined Total Revenue growing at a CAGR of approximately 5% between 2009 and June 30, 2018. In 2009, the ratio of Combined Reported EBITDA to Combined Total Revenue was approximately 15%, marginally below 15% between 2009 and 2011, above 15% between 2011 and 2014 and increasing from 19% to 21% between 2014 and 2017. As a producer of high-end design products, we believe our retail end customer base has significant disposable

income and tends to be less affected by the economic cycle than customers in other segments. In addition, over the past three to six years, our brands have implemented various initiatives to increase economic resiliency. For example, Flos has expanded its business in the custom and outdoor business divisions, as well as reduced its exposure to Italy, which decreased from approximately 24% of Flos' revenue in 2007 to approximately 18% in 2017. The development of LED products has also enabled Flos to decrease its component costs, while improving the duration of its products. Louis Poulsen has benefited from the growth of its business-to-consumer ("**B2C**") business division, which increased as a share of Louis Poulsen's total revenue from approximately 43% in 2015 to approximately 54% in 2017, positively impacting profitability. Beginning in 2014, Louis Poulsen initiated a range of operational improvements under the guidance of new management, including streamlined production operations and extension of product lines and the elimination of certain higher-cost manufacturing activities in the United States. At the B&B level, top-line growth has been supported by geographic and business line expansion, with significant growth coming from the Middle East and Asia and a consequent reduction in exposure to Italy, from 41% of B&B's revenue in 2007 to 18% in 2017. The acquisition of Arclinea in 2016 allowed B&B to expand into the kitchen market, diversifying its product reach as well as its customer base. In addition, B&B reduced its exposure to lower margin contract projects and has been able to increase the efficiency of its manufacturing processes. In addition to initiatives at each brand level, we believe that the combination of businesses within the Group will create a more diversified business with a reduced risk profile, decreasing geographical and business division dependencies and expanding the customer reach of each business.

Our strong cash generation is primarily driven by high profitability levels and low capital expenditure. Our results demonstrate a strong growth profile, with Combined Reported EBITDA growing at a CAGR of 18% from 2015 to 2017 and Reported EBITDA margins (defined as the ratio of Reported EBITDA for each company to each company's total revenue) that we believe are higher than the market average EBITDA margins in each of the segments in which we operate. We also have limited capital expenditure requirements, with Combined Capital Expenditures as a percentage of Combined Total Revenues of 3.7% for the twelve months ended June 30, 2018, driving high Combined Cash Conversion, reaching 83.9% for the twelve months ended June 30, 2018. Synergies at the Group level are expected to continue to streamline supply, manufacturing, operational and back-office functions, further reducing fixed costs and eliminating inefficiencies. See "*Our Strategies—Drive operational excellence and maximize synergy deployment from Group integration*".

Approximately two thirds of our production was made to order in 2017. The make-to-order approach we adopt for a large portion of our products enables us to maintain control over the value chain. In addition, where we do not operate on a make-to-order basis, the long lifespan of our products lowers inventory risk. Moreover, approximately 60% of our cost base is variable, and Combined Net Working Capital represented only 8.0% of Combined Total Revenues for the year ended December 31, 2017, allowing us to react quickly to fluctuations in demand associated with economic events or seasonal purchasing patterns. In addition, we believe that our brand strength gives us strong pricing power, typically allowing us to pass the effects of increased raw material and component costs or adverse exchange rate fluctuations to our customers.

Experienced management team backed by committed shareholders

The executive teams at Flos, Louis Poulsen and B&B are highly experienced in leading and growing successful design businesses. Key executives from each company have been and will remain involved in the management of their respective businesses, and will operate under the strategic guidance of the board of directors of Design Holding and its chairman, Piero Gandini, the current CEO of Flos. See "*—Drive operational excellence and maximize synergy deployment from Group integration*", "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions*". Our experienced senior management team is composed of highly qualified individuals with extensive expertise in managing and growing successful businesses and supported by a strong team of talented and dedicated professionals. See "*Management*". Certain key members of management will invest in the combined Group following the Transactions.

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

Our Strategies

The key elements of our strategy are:

Expand our geographic reach

As part of our initiative to grow our store network, we will also strategically expand our geographic reach in markets where we expect to see continued growth, particularly outside of Europe. We aim to expand the Flos network within the Americas and the APAC region by opening additional DOS locations and expanding regional sales teams. We also intend to expand the geographical reach of B&B's retail network, both by converting several mono-brand wholesale retailers in the U.S. into DOS and by expanding into new wholesale points of sale throughout the Americas and the APAC region, particularly by leveraging on the integration with Arclinea, which often serves as a point of entry for new B&B customers who have encountered Arclinea kitchens in the context of luxury residential developments. We also plan to continue to expand the network of wholesale points of sale for Louis Poulsen in new geographies, with focus on Western Europe and the APAC region. In addition, we intend to expand our team of regional project managers, who will support and enhance our expansion initiatives, particularly with respect to B2B customers, in the Americas and the APAC region. We may achieve geographic expansion also through selective acquisitions of companies operating in our markets or adjacent ones. See "*—Pursue selective strategic acquisition opportunities that align with our overall goals and objectives*".

Develop our store network and increase our focus on digital channels

We intend to develop a network of directly operated multi-brand points of sale, featuring products from Flos, Louis Poulsen and B&B displayed in an environment designed to enhance the design identity of each brand while emphasizing the relationship among the products. We believe such directly operated points of sale would have an amplification effect across all of our other channels of sale. We aim to open five of these points of sale by 2022. In addition, we intend to grow the separate retail networks of each of our brands. In particular, we intend to expand the Flos store network with the opening of additional DOS to support sales outside of Europe, with particular focus on expansion of the regional sales teams. We intend to expand the Louis Poulsen retail network through the addition of new third-party points of sale. We intend to increase Louis Poulsen sales through existing distribution points using a strategic pricing initiative aimed at optimizing the price levels of all of Louis Poulsen's products, as well as implementing a new web platform and a dedicated team supporting sales and online dealers. Within B&B, we plan to focus on store network expansion, particularly through the conversion of mono-brand third-party retailers into DOS, and to strengthen B&B's control over third-party retailers by, for example, ensuring that these retailers are providing B&B with a similar level of customer and sales data as B&B collects in its DOS. By 2022, we aim to increase our overall network of both DOS and third-party points of sale.

Customer relationships are key to our success and brand reputation, and continuing to build and maintain these relationships, particularly through digital channels, is a key element of our marketing strategy. Currently, online sales comprise a very small part of our business, with only Louis Poulsen and Flos offering direct e-commerce sales in limited markets, accounting for less than 1% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018. We intend to continue to expand our direct online sales, including through a combined digital platform enabling customers to shop all of our brands online in one location. We also intend to expand Louis Poulsen's e-commerce website internationally by 2019, as well as expand Flos' e-commerce website into Europe. In addition to online sales, we intend to continue to develop digital relationships with our existing and potential customers, including through online marketing,

social media outreach, online sales support, digital product configurators and partnering with social media influencers to promote our products and visibility.

Continue to strengthen and extend our product portfolio

Our product portfolio is a key element of our success, and we intend to continue to invest in research and product development with the aim of further strengthening and extending this portfolio both with redesigns or new configurations of existing products and introductions of new, complementary designs. We intend to continue adapting to evolving technology while building on the strength and success of our timeless iconic products. We expect to continue to launch new products and to coordinate our marketing and advertising efforts in line with the strategy adopted by each of Flos, Louis Poulsen and B&B over the past few years. For the years ended December 31, 2015, 2016 and 2017, each of Flos, Louis Poulsen and B&B launched 16, 14 and 13 new products (including upgrades of existing products) on average per year, respectively, a rate of new product launches that we expect to continue.

Drive operational excellence and maximize synergy deployment from Group integration

Following the Acquisitions, we intend to continue to deliver appealing, high-quality products through, among other things, improving the efficiency of our value chain, developing new attractive designs and introducing innovative materials, while at the same time preserving the prestige and identity of each of our brands, in order to enhance customer satisfaction, increase our ability to attract new customers and further improve our financial profile. Our key operational priorities are to maximize the deployment of synergies we expect to generate from the unified management of the Group, improve and integrate information technology and digital platforms and develop shared internal best practices.

In particular, we believe that the combination of businesses within the Group provides a significant opportunity for operational synergies, which we intend to maximize by establishing a clear synergy roadmap. These synergies primarily consist of a retail optimization initiative within our lighting brands, the opening of new combined points of sale, creating a shared task force within the commercial contract divisions, a wholesale sales optimization initiative, integrated e-commerce and various cost saving initiatives. Within our lighting brands, we intend to introduce Louis Poulsen products to select Flos retail locations, as well as adding Louis Poulsen and Flos products to certain B&B retail locations, which we believe will result in revenue increases without significant additional fixed costs for new retail locations or personnel. We also intend to open five new multi-brand points of sale by 2020 that will sell products from Flos, Louis Poulsen and B&B within one store location in secondary markets that could otherwise be more difficult to penetrate by each brand individually. We intend to streamline the operation of the commercial contract divisions across all three brands by creating a shared contract task force, which will comprise a centralized sales lead, customer relationship management and business development database, a team of account managers dedicated to important customers who will promote our brands and educate customers on our offering, and various specification and offer teams organized by brand and product category, which will prepare commercial offers and follow the sales leads generated by the centralized function. We believe that this shared task force will reduce costs by eliminating overlapping contract functions, while leveraging the combined brand power to drive additional sales.

We also expect to increase our focus on wholesale sales by utilizing a common database to collect sales data from all directly-operated and third-party points of sale and creating a central marketing team to coordinate brand presentation across these points of sale and utilize the data collected to maximize sales. We intend to continue to generate EBITDA growth through the development of a unified e-commerce strategy, primarily consisting of a single digital platform where all of our brands will be available for sale (excluding Arclinea kitchens, which will continue to be sold primarily through physical Arclinea points of sale). Finally, we believe that we will be able to implement a variety of cost-saving initiatives, including harmonizing the compensation of

sales agents through renegotiation of existing contracts, optimizing warehousing and logistics networks through shared warehouses and renegotiation of contracts with existing logistics providers, outsourcing production of non-iconic Louis Poulsen products and integrating and consolidating the operations and management of our subsidiaries.

Furthermore, within the IT and digital organizations, we expect to generate cost synergies and operational efficiencies through the deployment of an integrated IT infrastructure among our companies. We believe this initiative will facilitate the information flow from each company to the centralized management functions as well as among the brands, improve the Group information management system, create new business opportunities and expand our customer base, also through the creation of a shared customer database that may be accessed by Group central functions and by each brand. In addition, an integrated IT system will provide further support to foster operational synergies, as well as driving digital improvements to support growth in online channels.

Finally, we intend to develop a shared set of internal best practices, including standardizing framework agreements with, *inter alios*, suppliers of raw materials and other components and freight service providers.

The current CEO of Flos, Mr. Piero Gandini, will serve as chairman of Design Holding, drawing on his extensive experience in the industry and strategic vision to coordinate the Group's common strategy. Mr. Gandini will also continue serving as CEO of Flos until an appropriate replacement is selected, and will work closely together with Mr. Armin Broger, CEO of B&B Italia, and Mr. Søren Mygind Eskildsen, CEO of Louis Poulsen, to develop shared guidelines for the Group's integration and the implementation of the strategies, and to ensure that the combined Group preserves and supports each company's individual culture, brand value and history. Under the strategic guidance of the board of Design Holding, chaired by Mr. Gandini, the Group management will consist of, among other roles, a CFO and a HR director, and will work closely together with the CEOs of Flos, B&B and Louis Poulsen and their respective separate functions to coordinate the operation of the businesses and support their integration. We believe that this management structure will provide the Group with the coordinated strategic focus necessary for the full integration of the businesses and the achievement of the expected synergies, while leveraging the significant industry expertise of existing management to support the continued success of each individual company.

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

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

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

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

Principal Shareholders

The Issuer is beneficially owned by Investindustrial and Carlyle.

The Investindustrial group is a leading European investment and advisory group with over €6.8 billion of raised fund capital, which provides industrial solutions and capital to European high quality mid-market companies. Founded in 1990 from an industrial conglomerate, the Investindustrial group operates with the support of one cohesive team of more than 100 professionals with independently managed investment and advisory companies in Lugano, London, Luxembourg, Barcelona, Madrid, New York and Shanghai. Companies in the Investindustrial group are managed independently from each other and funds are managed in the exclusive interest of their own limited partners.

Founded in 1987, The Carlyle Group is a global alternative asset manager and one of the world's largest global private equity firms with approximately $210 billion of assets under management across 335 investment vehicles as of June 30, 2018. The Carlyle Group invests across four segments—Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions—in Africa, Asia, Australia, Europe, the Middle East, North America and South America. The Carlyle Group has expertise in various industries, including technology, media and telecommunications, aerospace, defense and government services, consumer and retail, energy, financial services, healthcare, industrial, real estate, and transportation. The Carlyle Group employs more than 1,625 employees, including over 650 investment professionals, in 31 offices across six continents.

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated in Italy and is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Montenapoleone 29, 20121 Milan, Italy.

The Transactions

The Acquisitions

On June 22, 2018, an affiliate of Investindustrial entered into a share purchase agreement with the previous owners of LP pursuant to which it indirectly acquired 100% of the share capital of LP in August 2018 at which time €8.6 million in indebtedness was repaid and €100.5 million of new acquisition indebtedness of LP was incurred in connection with such acquisition (the repayment and incurrence of such debt being referred to as the "**Investindustrial LP Acquisition Adjustments**").

On August 7, 2018, certain affiliates of Investindustrial, including Flos HoldCo, B&B HoldCo and LP LuxCo 2 (collectively, the "**Investindustrial Entities**") and an affiliate of Carlyle entered into an investment agreement, as amended on September 11, 2018, (the "**Investment Agreement**") setting forth the various steps to be taken in connection with the acquisition of B&B, Flos and Danish HoldCo (*i.e.* an entity that indirectly wholly owns Louis Poulsen) by a newly incorporated company (*i.e.* the Issuer) which is under common control of the Sponsors. The Issuer is beneficially

owned by funds advised by Investindustrial and Carlyle. At closing of the Acquisitions, the two Sponsors will indirectly own equal equity interests in the Targets, as further described below. Pursuant to the Investment Agreement, at or before closing of the Acquisitions: (i) an affiliate of Carlyle will make an equity contribution in cash indirectly into the Issuer; (ii) LP LuxCo 2, an affiliate of Investindustrial, will indirectly contribute the entire share capital of Danish HoldCo through a series of intermediate vehicles into the Issuer (the "**LP Acquisition**"); (iii) Flos HoldCo and B&B HoldCo will contribute, through a series of intermediate vehicles, a portion of Flos and B&B's share capital, respectively, into the Issuer, and (iv) the remaining portion of the shares of Flos and B&B will be acquired by the Issuer from (a) Flos HoldCo and B&B HoldCo pursuant to the Flos Majority Acquisition Agreement and the B&B Majority Acquisition Agreement, respectively, and (b) the Flos Minorities and the B&B Minorities pursuant to the Flos Minorities Acquisition Agreement and the B&B Minorities Acquisition Agreement, respectively, as further described below. As of the date of this Offering Memorandum, we estimate that the aggregate amount of the Sponsors' equity contribution into the Issuer, by a combination of cash and shares in the Targets, as applicable, will be equal to approximately €1,015.5 million, assuming the closing of the Acquisitions (the "**Completion Date**") will occur on or about December 31, 2018.

Pursuant to the provisions of the Investment Agreement, on September 11, 2018, the following acquisition agreements were entered into:

- the Issuer entered into a share purchase agreement (the "**B&B Majority Acquisition Agreement**") with, *inter alios*, B&B HoldCo, pursuant to which B&B HoldCo agreed to sell to the Issuer, and the Issuer agreed to purchase, B&B shares in an amount to be determined on or about the Completion Date (the "**B&B Majority Acquisition**") and that, taken together with the B&B shares that will be contributed into the Issuer by B&B Holdco in an amount to be determined on or about the Completion Date (the "**B&B Contribution**"), comprise 80.0% of the B&B share capital. The consideration for the B&B Majority Acquisition will consist of a base price plus an interest component, minus the amount of Leakages (as defined below), if any, as calculated in accordance with the terms and conditions of the B&B Majority Acquisition Agreement;
- the Issuer entered into a share purchase agreement with, *inter alios*, the B&B Minorities (the "**B&B Minorities Acquisition Agreement**"), pursuant to which the B&B Minorities agreed to sell to the Issuer, and the Issuer agreed to purchase their respective B&B shares, representing in the aggregate 20.0% of the B&B share capital (the "**B&B Minorities Acquisition**"). The consideration for the B&B Minorities Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, as calculated in accordance with the B&B Minorities Acquisition Agreement;
- the Issuer entered into a share purchase agreement (the "**Flos Majority Acquisition Agreement**") with, *inter alios*, Flos HoldCo, pursuant to which Flos HoldCo agreed to sell to the Issuer, and the Issuer agreed to purchase, Flos shares in an amount to be determined on or about the Completion Date (the "**Flos Majority Acquisition**") and that, taken together with the Flos shares that will be contributed into the Issuer by Flos Holdco in an amount to be determined on or about the Completion Date (the "**Flos Contribution**"), comprises 77.39% of the Flos share capital. The consideration for the Flos Majority Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, as calculated in accordance with the terms and conditions of the Flos Majority Acquisition Agreement; and
- the Issuer entered into a share purchase agreement with, *inter alios*, the Flos Minorities (the "**Flos Minorities Acquisition Agreement**"), pursuant to which the Flos Minorities agreed to sell to the Issuer, and the Issuer agreed to purchase, directly or indirectly, their respective Flos shares, representing in the aggregate 22.61% of the Flos share capital (the "**Flos Minorities Acquisition**"). The consideration for the Flos Minorities Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, calculated in accordance with the Flos Minorities Acquisition Agreement.

The B&B Majority Acquisition Agreement and the B&B Minorities Acquisition Agreement are collectively referred herein as the "**B&B Acquisition Agreements**". The Flos Majority Acquisition Agreement and the Flos Minorities Acquisition Agreement are collectively referred herein as the "**Flos Acquisition Agreements**". The B&B Acquisition Agreements and the Flos Acquisition Agreements are collectively referred herein as the "**Acquisition Agreements**". The B&B Majority Acquisition, the B&B Minorities Acquisition and the B&B Contribution are collectively referred herein as the "**B&B Acquisition**". The Flos Majority Acquisition, the Flos Minorities Acquisition and the Flos Contribution are collectively referred herein as the "**Flos Acquisition**". The LP Acquisition, the Flos Acquisition and the B&B Acquisition are collectively referred herein as the "**Acquisitions**".

The Acquisition Agreements and the transactions contemplated by the Investment Agreement are regarded as a single transaction and, as such, the consummation of the entire series of transactions is contingent upon the proper completion of each agreement and the satisfaction of certain conditions precedent which must take place on or before January 31, 2019 (the "**Long Stop Date**"). In particular, as of the date of this Offering Memorandum, the consummation of the Investment Agreement, and by extension all transactions related thereto, will depend on, among other customary conditions, the obtainment of unconditional clearances, approvals and consents from certain antitrust authorities. Although certain antitrust approvals have already been obtained, including those from the European Commission, received on October 9, 2018, and the U.S. Department of Justice and Federal Trade Commission, received on September 21, 2018, certain other antitrust approvals remain outstanding, including but not limited to China's State Administration for Market Regulation.

As mentioned above, the purchase price for each of the Acquisition Agreements includes an interest component, which accrues on the relevant base price for the period between June 30, 2018 (the "locked box" date) and the Completion Date, to compensate the sellers for additional cash generation in the business. As a result, the ultimate purchase price under each of the Acquisition Agreements will also be dependent on the timing of the Completion Date. In addition, the purchase price for each of the Acquisition Agreements will be reduced by the amount of leakages, being actions resulting in the loss of cash or other value from the relevant Target Group in favor of the relevant selling shareholder(s) or their related parties, such as the payment of any dividends, any other payments or disposals, assignments or transfer of assets or any payments made pursuant to any guarantee, indemnity or similar obligation, among other things, in each case to the extent not expressly permitted by the relevant acquisition agreement (collectively, the "**Leakages**").

Following the consummation of the Acquisitions, B&B, Flos and LP will be wholly-owned subsidiaries of the Issuer. We expect that a portion of the share capital of Design Holding, currently expected to be in the range of 5% to 10% of the share capital of Design Holding will be allocated for equity investments by certain members of the Group's senior management team. The Sponsors expect to enter into investment agreements with those members of the Issuer's senior management team that make such investments indirectly in the equity of the Issuer. The Sponsors also expect that equity investments held indirectly in the Issuer by certain members of the Issuer's senior management team may carry voting rights. See "*—Corporate Structure and Certain Financing Arrangements*" and "*Principal Shareholders*".

The Refinancing

A portion of the cash proceeds from the offering of the Notes will be used to make the Target Proceeds Loans in order to repay substantially all of the Targets' existing external indebtedness in the amount of €331.1 million (excluding any accrued but unpaid interest thereon, prepayment and/or cancellation fees and/or redemption premia as well as €8.6 million in indebtedness that was repaid in connection with the acquisition of LP by Investindustrial in August 2018) expected

to be outstanding as of the estimated Completion Date, assuming the Completion Date occurs on or about December 31, 2018, comprising:

- €123.1 million owed by Flos under the Flos Existing Senior Facilities Agreement, to be repaid with the funds available under Tranche B (as defined under "*Use of Proceeds*") under the Notes (via the Flos Proceeds Loan) and cash available on Flos' balance sheet;
- €107.5 million owed by B&B under the B&B Existing Senior Facilities Agreement , to be repaid with the funds available under Tranche C (as defined under "*Use of Proceeds*") under the Notes (via the B&B Proceeds Loan) and cash available on B&B's balance sheet; and
- DKK 750 million (€100.5 million) owed by Luminous Designs Denmark ApS under the LP Existing Senior Facilities Agreement, to be repaid with the funds available under Tranche D (as defined under "*Use of Proceeds*") under the Notes (via the LP Proceeds Loans) and cash available on LP's balance sheet.

We refer to this debt to be repaid, collectively, as the "**Refinanced Debt**" and the repayment of the Refinanced Debt with the proceeds from the Target Proceeds Loans and with certain available cash at Flos, LP and B&B as the "**Refinancing**". The collateral securing the Refinanced Debt will be released concurrently with the Refinancing.

On or about the Issue Date, the Issuer, as borrower, will enter into the Revolving Credit Facility Agreement which provides for the €100.0 million Revolving Credit Facility. If the amounts of debt outstanding under our Refinanced Debt on the Completion Date exceed the amounts set forth above and in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions.

The Financing of the Acquisitions

We expect to finance the Acquisitions through:

(i) the indirect cash and in kind equity investments for an amount of €1,015.5 million expected to be made by the Sponsors, which will be contributed through intermediate holding companies to the Issuer on or about the Completion Date (collectively, the "**Equity Contribution**"); and

(ii) a portion of the proceeds from the offering of the Notes by the Issuer in an aggregate principal amount of €720.0 million.

In particular, the proceeds from the financing described above (collectively, the "**Financing**") will be used to:

- fund the consideration payable under the Acquisition Agreements by using the Equity Contribution and Tranche A (as defined under "*Use of Proceeds*") under the Notes;
- fund, together with certain cash available on Flos', LP's and B&B's balance sheets, the Refinancing by using, respectively, Tranche B, Tranche C and Tranche D under the Notes, as described under "*—Refinancing*" above; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the offering of the Notes, and make a one-off payment to senior management of B&B and Flos, by using the Tranche A under the Notes.

We refer to the incorporation of the Issuer, the Acquisitions, the Financing, the Refinancing, the entry into the Revolving Credit Facility Agreement and any actions or steps related thereto, collectively, as the "**Transactions**". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate

the Acquisitions and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. See "*Use of Proceeds*", "*Capitalization*", and "*Description of Notes*".

Escrow Accounts

Pending consummation of the Acquisitions, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the offering of the Fixed Rate Notes and the Floating Rate Notes into the relevant Escrow Accounts, each in the name of the Issuer. The Escrow Accounts will be controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the relevant series of Notes. The release of the escrowed proceeds from the Escrow Accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisitions pursuant to the terms of the Investment Agreement and the relevant Acquisition Agreement promptly following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to May 15, 2019, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. See *"Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

Sources and Uses

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from estimated amounts at the time of the consummation of the Acquisitions, depending on several factors, including differences from our estimate of cash generated and available for use by the Targets until the estimated Completion Date, fees and expenses and the timing of the Completion Date. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*".

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby	720.0	Equity value[3]	1,399.3
Equity Contribution[1]	1,015.5	Repayment of Refinanced Debt[4] . . .	339.7
Cash on balance sheet of the Targets[2]	81.1	Estimated transaction fees, expenses and other payments[5]	77.6
Total sources	**1,816.6**	**Total uses**	**1,816.6**

(1) Represents the cash and equity investment expected to be made by the Sponsors (including the B&B Contribution, the Flos Contribution and the LP Acquisition) and certain senior management of the Group which will be contributed through intermediate holding companies to the Issuer on or about the Completion Date. Assuming that 5% of the share capital of Design Holding will be allocated for equity investments by management, the equity contribution is expected to comprise cash contributions of approximately €482 million from Carlyle, equity contributions of approximately €482 million from Investindustrial (of which approximately €282 million will comprise amounts rolled over from Investindustrial V L.P. and approximately €200 million will comprise amounts contributed from Investindustrial VI L.P.) and cash contributions of approximately €51 million from certain senior management of the Group. For further information, see "*Summary—Corporate Structure and Certain Financing Arrangements*" and "*Principal Shareholders*".

(2) We expect to use certain available cash on balance sheet of each of the Targets to repay a portion of the Existing Senior Facilities. The amount shown in the table represents an estimate and the actual amount might change depending on a number of factors, including the actual Completion Date and the amount of cash generated and not utilized by the Targets between June 30, 2018 and the Completion Date.

(3) Represents the estimated total fair market value of the equity of the Group, based on the assumption that the Acquisitions are consummated on or about December 31, 2018, to be partially funded with the proceeds under tranche A of the Notes ("**Tranche A**"), which, in aggregate, is expected to be equal to approximately €437.4 million. The total value of the equity of the Group at the Completion Date may differ due to a number of factors, including the accrual of the interest component under the Acquisition Agreements to the actual Completion Date and the potential occurrence of certain Leakages. See "*Risk Factors—Risks Related to the Transactions*". See also "*The Transactions*" and "*Capitalization*".

(4) Represents the following amounts outstanding as of June 30, 2018: (i) €123.1 million owed by Flos under the Flos Existing Senior Facilities Agreement, to be repaid (a) via the Flos Proceeds Loan with the funds available under tranche B under the Notes ("**Tranche B**") for an amount of approximately €113.2 million and (b) with cash available on Flos' balance sheet for an amount of approximately €9.9 million, (ii) €107.5 million owed by B&B under the B&B Existing Senior Facilities Agreement, to be repaid (a) via the B&B Proceeds Loan with the funds available under tranche C under the Notes ("**Tranche C**") for an amount of approximately €73.3 million and (b) with cash available on B&B's balance sheet for an amount of approximately

€34.2 million, (iii) €100.5 million (DKK 750 million) owed by Luminous Designs Denmark ApS under the LP Existing Senior Facilities Agreement, to be repaid (a) via the LP Proceeds Loans with the funds available under tranche D under the Notes ("**Tranche D**") for an amount of approximately €96.1 million and (b) with cash available on LP's balance sheet for an amount of approximately €4.4 million, and (iv) €8.6 million of indebtedness at Louis Poulsen that was entirely repaid in August 2018 in connection with Investindustrial's acquisition of LP. For information on Tranche A, Tranche B, Tranche C and Tranche D, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Acquisitions and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. Amounts shown do not include accrued but unpaid interest under the Existing Senior Facilities.

(5) Represents: (i) €45.0 million of estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses to be partially funded with the proceeds of the Notes under Tranche A; and (ii) a one-off payment that Flos and B&B expect to make upon completion of the Acquisitions to certain of their senior management, in the amount of €18.3 million for Flos management and €14.3 million for B&B management.

Recent Developments

Current Trading for the Nine Months Ended September 30, 2018

The preliminary indications set forth below are estimates based on our and the management of each of the Targets' initial review of our results of operations and the results of operations of each of the Targets. None of our independent auditors, the Targets' independent auditors or any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein or for any other purposes and, accordingly, none of our independent auditors, the Targets' independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited financial information does not take into account any circumstances or events occurring after the period to which it refers. The information set forth below for the nine months ended September 30, 2018 and the nine months ended September 30, 2017, regarding our results and the results of each of the Targets is based on our accounts and systems in part on estimates. This information is unaudited. In particular, the financial information set forth below for each Target has not been prepared on the basis of Italian GAAP, IFRS or Danish GAAP, as applicable, and is not comparable with the corresponding financial information set forth elsewhere in this Offering Memorandum. The financial information presented below for the Group is based on the aggregation of the financial information of the three Targets and has not been prepared, reviewed or audited on the basis of any accounting principles. We believe the estimates underlying the financial information presented below may provide investors with a helpful indication of the development of our results of operations following June 30, 2018. Our actual results for our first reporting period following the issuance of the Notes may differ materially from the trends included herein and may not be indicative of our future results. The information set forth below should not be regarded as an indication, forecast or representation regarding our financial results for the nine months ending September 30, 2018 or for the year ending December 31, 2018. You should therefore not place undue reliance on the information presented below. See "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The Group

Based on preliminary results derived from the unaudited management accounts of each of Flos, Louis Poulsen and B&B and other information currently available, we estimate that Group aggregated revenue for the nine months ended September 30, 2018 would have been in line with the same period in 2017 whereas Adjusted EBITDA would have increased in comparison with such prior period.

Flos

Based on preliminary results derived from unaudited management accounts and other information currently available, we estimate that Flos revenue for the nine months ended September 30, 2018 increased to approximately €163 million from approximately €158 million in

the nine months ended September 30, 2017, primarily driven by sales in the Architectural collection which increased by approximately 5%, mainly attributable to the growth in the Contract division (offset in part by decreasing sales in the Custom and other collections). For the nine months ended September 30, 2018, we estimate that Flos Adjusted EBITDA increased by approximately 5% as compared to the nine months ended September 30, 2017, mainly as a consequence of the revenue growth in the period.

Louis Poulsen

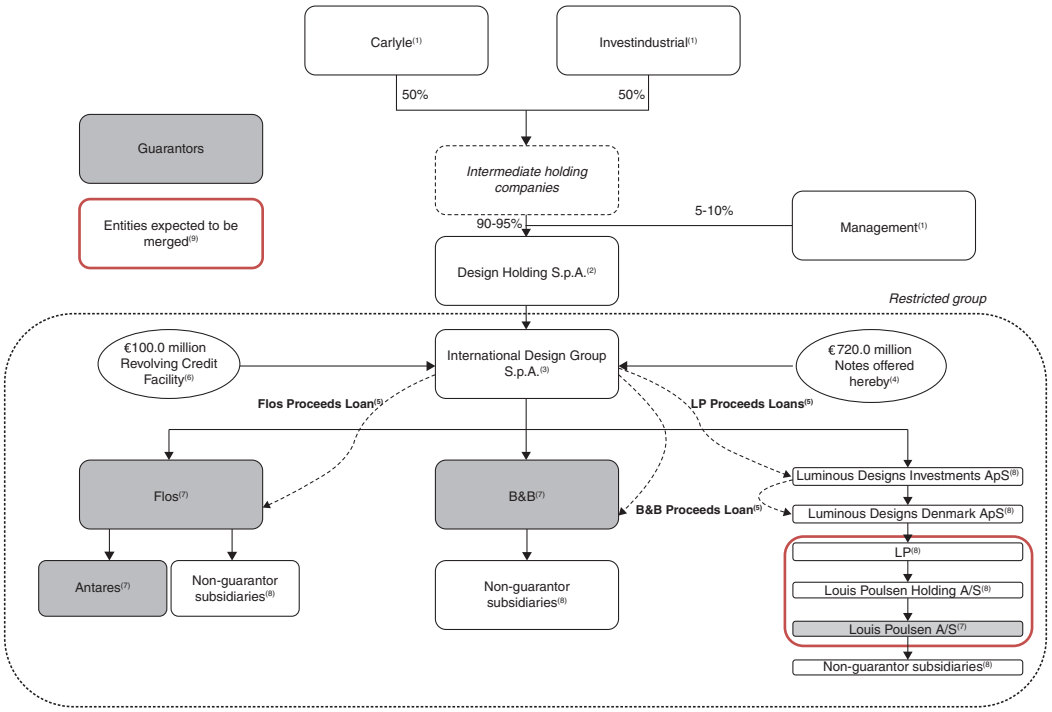
Based on preliminary results derived from unaudited management accounts and other information currently available, we estimate that Louis Poulsen revenue for the nine months ended September 30, 2018 were substantially in line with the same period in the previous year, reaching approximately €73 million compared to approximately €74 million in the nine months ended September 30, 2017. The marginal decrease was primarily driven by weak B2B sales in the Nordics. However, we estimate that Louis Poulsen Adjusted EBITDA for the nine months ended September 30, 2018 increased by approximately 12% from the nine months ended September 30, 2017, primarily driven by the increased contribution margin following the implementation of a price increase initiative at the beginning of 2018.

B&B

Based on preliminary results derived from unaudited management accounts and other information currently available, we estimate that B&B revenue for the nine months ended September 30, 2018 decreased to approximately €145 million from approximately €149 million in the nine months ended September 30, 2017. The decrease was primarily driven by a decrease in the Wholesale channel and the Arclinea business division, partially offset by a positive performance of the Contract and Retail channels. We estimate that B&B Adjusted EBITDA for the nine months ended September 30, 2018 decreased by approximately 2% from the nine months ended September 30, 2017, primarily due to the Arclinea business division, which was adversely impacted by reduced sales and certain planned investments in commercial and communication initiatives, partially offset by the positive growth in profitability reported by B&B Italia.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

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



(1) Following the consummation of the Acquisitions, we expect that each of Carlyle and Investindustrial will have joint beneficial ownership, indirectly through intermediate holding companies, of approximately 90-95% of the share capital of the Issuer and certain employees and members of management will indirectly hold approximately 5-10% of the share capital of the Issuer. See "*Principal Shareholders*".

(2) The management team that will oversee the operations of the Group following the Acquisitions is currently expected to be employed by Design Holding S.p.A. ("**Design Holding**"). For further information, see "*Management*".

(3) The Issuer is a holding company incorporated under the laws of Italy as a joint stock company (*società per azioni*). The Issuer was formed for the purpose of facilitating the Transactions, is currently not expected to engage in any activities other than those related to its formation, the Transactions, management of the Group following the Acquisitions and any other future potential transactions permitted by the Indenture. See "*Risk Factors—Risks related to our structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes*".

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

Collateral and Certain Insolvency Law Considerations" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral*".

(5) On the Completion Date, with a portion of the proceeds from the offering of the Notes, the Issuer will make (i) the Flos Proceeds Loan to Flos in an amount expected to be approximately €113.2 million in order to refinance the Flos Existing Senior Facilities, using funds available under Tranche B (as defined under "*Use of Proceeds*") under the Notes and cash available on Flos' balance sheet; (ii) the B&B Proceeds Loan to B&B in amount expected to be approximately €73.3 million in order to refinance the B&B Existing Senior Facilities Agreement, using funds available under Tranche C (as defined under "*Use of Proceeds*") under the Notes and cash available on B&B's balance sheet; and (iii) the LP Proceeds Loans by way of the Danish HoldCo Proceeds Loan to Danish HoldCo and a subsequent proceeds loan to Luminous Designs Denmark ApS, both in an amount expected to be approximately €96.1 million, to refinance the LP Existing Senior Facilities Agreement, using funds available under Tranche D (as defined under "*Use of Proceeds*") under the Notes and cash available on LP's balance sheet. For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Acquisitions and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. For further information on the Target Proceeds Loans, see "*Summary—The Transactions—The Refinancing*". The Target Proceeds Loans amounts are estimates and are subject to change based on the actual amount of indebtedness and availability of cash on balance sheet at Flos, B&B and Luminous Designs Denmark ApS and their respective relevant subsidiaries on the Completion Date, which for the purposes hereof we assume to occur on or about December 31, 2018.

(6) On or about the Issue Date, the Issuer, as borrower, will enter into the Revolving Credit Facility Agreement, which provides for the €100.0 million Revolving Credit Facility. We expect that the Revolving Credit Facility will be undrawn on the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions. Within 90 days following the Completion Date, the Revolving Credit Facility will be guaranteed on a senior basis by the same entities that guarantee the Notes and will be secured on a first-priority basis over the same collateral securing the Notes and certain hedging obligations, subject to the applicable contractual and legal limitations. The Notes Guarantees will be subject to certain material limitations under applicable law as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*", "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*". "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*".

(7) On the Issue Date, the Notes will not be guaranteed. Within 90 days following the Completion Date, subject to certain agreed security principles, the Notes will be guaranteed on a senior basis by the Guarantors. As of and for the twelve months ended June 30, 2018, the Guarantors represented 60.8% of the revenue of the Target Group, 80.4% of the EBITDA of the Target Group and 82.0% of the total assets of the Target Group, each as calculated based on management accounts of each Target. As of June 30, 2018, after giving pro forma effect to the Transactions, the Guarantors, on a combined basis, would have had €5.1 million in aggregate principal amount of third-party indebtedness (excluding indebtedness under the Target Proceeds Loans), all of which was secured. The Notes Guarantees will be subject to certain material contractual and legal limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*". The Notes Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes—The Notes Guarantees*".

(8) Certain subsidiaries of the Issuer will not guarantee the Notes. As of and for the twelve months ended June 30, 2018, the members of the Target Group that will not guarantee the Notes represented 39.2% of the revenue of the Target Group, 19.6% of the EBITDA of the Target Group and 18.0% of the total assets of the Target Group, each as calculated based on management accounts of each Target. As of June 30, 2018, after giving pro forma effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes would have had €6.7 million of financial indebtedness outstanding, none of which was secured.

(9) In order to simplify the corporate structure of LP, we expect to merge LP, Louis Poulsen Holding A/S and Louis Poulsen A/S on or about the Completion Date or shortly thereafter. Following the merger, we expect Louis Poulsen A/S, the main operating company of the LP group, to be the surviving entity, Guarantor and new reporting entity of the LP group.

THE OFFERING

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

Issuer	International Design Group S.p.A.
Notes Offered:	
Floating Rate Notes	€320,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2025.
Fixed Rate Notes	€400,000,000 aggregate principal amount of 6.50% Senior Secured Notes due 2025.
Issue Date	On or about November 16, 2018.
Issue Price:	
Floating Rate Notes	100.000%, plus accrued and unpaid interest from the Issue Date.
Fixed Rate Notes	100.000%, plus accrued and unpaid interest from the Issue Date.
Maturity Date:	
Floating Rate Notes	November 15, 2025.
Fixed Notes	November 15, 2025.
Interest Rate:	
Floating Rate Notes	Three-month EURIBOR (subject to a 0.0% floor) plus 6.00% per annum, reset quarterly. Interest on the Floating Rate Notes will accrue from the Issue Date.
Fixed Rate Notes	6.50% per annum. Interest on the Fixed Rate Notes will accrue from the Issue Date.
Interest Payment Dates:	
Floating Rate Notes	Interest is payable on the Floating Rate Notes quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on February 15, 2019.
Fixed Rate Notes	Interest is payable on the Fixed Rate Notes semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2019.
Form and Denomination	The Notes will be issued on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer;

- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the Revolving Credit Facility Agreement and certain hedging obligations;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the Issuer's subsidiaries that do not guarantee the Notes, including obligations to trade creditors.

Notes Guarantees . . . . . On the Issue Date, the Notes will not be guaranteed. Within 90 days following the Completion Date, the Notes will be guaranteed on a senior basis by Flos, B&B, Louis Poulsen A/S and Antares Illuminación S.A.U. ("**Antares**") (collectively, the "**Notes Guarantees**").

The Guarantors will guarantee all payments due under the Notes, including principal and interest. However, each Notes Guarantee will be subject to certain significant contractual and legal limitations. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*". The Notes Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes—The Notes Guarantees*".

As of and for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions, the Guarantors would have represented 60.8% of the revenue of the Target Group, 80.4% of the EBITDA of the Target Group and 82.0% of the total assets of the Target Group each as calculated based on management accounts of each Target. As of June 30, 2018, after giving pro

	forma effect to the Transactions, the Guarantors, on a combined basis, would have had €5.1 million in aggregate principal amount of third-party indebtedness all of which was secured. In addition, €100.0 million is available for drawing under the Revolving Credit Facility, which is expected to be undrawn on the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions.
Ranking of the Notes Guarantees . . .	The Notes Guarantee of each Guarantor will: • be a general senior obligation of that Guarantor; • rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Notes Guarantee, including that Guarantor's obligations under the Revolving Credit Facility Agreement and certain hedging obligations; • rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee; • be effectively subordinated to any existing and future indebtedness or obligation of that Guarantor that is secured by property and assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such other indebtedness; and • be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors. See also "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations—Italy—Limitation on validity and enforceability of the Notes Guarantees and the Collateral—Certain additional considerations in relation to Notes Guarantees and Collateral*".
Security, Enforcement of Security . . .	On the Issue Date, the Notes will be secured by a first-ranking security interest in the applicable Escrow Account (the "**Issue Date Collateral**"). On or about the Completion Date, the Notes will be secured by first-ranking security interests in: • 100% of the share capital of the Issuer; and • certain material bank accounts of the Issuer (collectively, the "**Completion Date Collateral**").

Within 20 business days following the Completion Date, the Notes will be secured by first-ranking security interests in:

- 100% of the share capital of each of the Targets; and
- the Issuer's receivables in respect of the B&B Proceeds Loan, the Flos Proceeds Loan and the Danish HoldCo Proceeds Loan (collectively, the "**Post Completion Date Collateral**" and, together with the Completion Date Collateral, the "**Collateral**").

In addition, upon accession of the Guarantors within 90 days following the Completion Date, the Notes will be, subject to certain agreed security principles, secured by additional security consistent with the security required to be provided for the benefits of the lenders under the Revolving Credit Facility Agreement in accordance with the terms of such agreement, including pledges on the share capital of Louis Poulsen A/S, Antares and any other Guarantors (other than the Targets) and certain "material companies" (as defined under the Revolving Credit Facility Agreement), certain material bank accounts to be agreed and material long term structural intercompany receivables, if any. The term "**Collateral**" is deemed to include any such additional collateral securing the Notes.

The Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations and may also secure certain future indebtedness. The Collateral will be granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

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

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

Escrow of Proceeds; Special Mandatory Redemption . . . . . Pending consummation of the Acquisitions, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit the

gross proceeds from the offering of the Fixed Rate Notes and the Floating Rate Notes into the relevant Escrow Accounts, each in the name of the Issuer. Each Escrow Account will be controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the relevant series of Notes. The release of the escrowed proceeds will be subject to the satisfaction of certain conditions, including the completion of the Acquisitions pursuant to the terms of the Investment Agreement and the relevant Acquisition Agreements promptly following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to May 15, 2019 (the "**Escrow Longstop Date**"), the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. See "*Description of Notes—Escrow of Proceeds—Special Mandatory Redemption*".

Pursuant to a shortfall agreement between the Issuer and Design Holding, Design Holding will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the Notes in the event of a special mandatory redemption (subject to a reasonable maximum cap). We cannot assure you that Design Holding will have the financial resources to meet that obligation.

Use of Proceeds . . . . . Upon release from escrow, the gross proceeds from the offering of the Notes will be used, together with the Equity Contribution, to (i) fund the consideration payable under the Acquisition Agreements, (ii) fund, together with cash available on Flos', B&B's and LP's balance sheets, the Refinancing and (iii) pay related fees and expenses and make a one-off payment to senior management of Flos and B&B. See "*Summary—The Transactions*" and "*Use of Proceeds*".

Optional Redemption:

Floating Rate Notes . . . . . The Issuer may redeem all or part of the Floating Rate Notes at any time on or after November 15, 2019 at the redemption prices set forth in this Offering Memorandum, as described under "*Description of Notes—Optional Redemption*".

At any time prior to November 15, 2019, the Issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a

	"make-whole" premium, as described under "*Description of Notes—Optional Redemption*".
Fixed Rate Notes	The Issuer may redeem all or part of the Fixed Rate Notes at any time on or after November 15, 2021 at the redemption prices as described under "*Description of Notes—Optional Redemption*". At any time prior to November 15, 2021, the Issuer may redeem all or part of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption*". At any time prior to November 15, 2021, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes, using the net proceeds from certain equity offerings at a redemption price equal to 106.5% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 50% of the original aggregate principal amount of the Fixed Rate Notes remains outstanding after each redemption. At any time prior to November 15, 2021, the Issuer may redeem during each calendar year up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including any additional Fixed Rate Notes) at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.
Optional redemption for taxation reasons	If certain changes in the law (or in its interpretation) of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of redemption. See "*Description of Notes—Redemption for Taxation Reasons*".
Additional amounts	Except as provided in "*Description of Notes*", all payments the Issuer makes with respect to the Notes, or each Guarantor makes with respect to its Notes Guarantee, will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes or any Notes Guarantee, subject to certain

exceptions, the Issuer or Guarantor, as the case may be, will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction (including any withholding or deduction in respect of the additional amounts) is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of Notes—Additional Amounts*".

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of Notes—Additional Amounts*", the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239 or Decree No. 461, where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. See "*Description of Notes—Additional Amounts*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified currently in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented and, in the future, in any decree to be issued under Article 11(4)(c) of Decree No. 239; any such decree, the "**White List**") and such holder of the Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or in Decree No. 461 after the date hereof, including any change in the White List. See "*Taxation—Certain Italian Tax Considerations*".

Change of Control . . . . . Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified net consolidated leverage ratio is not exceeded in connection with such event. See "*Description of Notes*".

Certain Covenants	The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries, to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests created for the benefit of the holders of the Notes. Certain of the covenants will be suspended if the Notes obtain and maintain an investment-grade rating. Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of Notes—Certain Covenants".*
Transfer Restrictions	The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Notice to Prospective U.S. Investors*" and "*Notice to Certain European Investors"*. We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application has been made to admit the Notes to listing on the Official List of the LuxSE and to trading on the Euro MTF Market in accordance with the rules thereof. There is no assurance that the Notes will remain listed and admitted to trading on the Euro MTF Market.

Governing Law	The Indenture, the Notes and the Notes Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.
Trustee	The Law Debenture Trust Corporation p.l.c.
Security Agent	UniCredit S.p.A.
Escrow Agent	JPMorgan Chase Bank N.A.
Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar, Transfer Agent and Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Risk Factors

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

SUMMARY PRO FORMA AND HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

Summary of Pro Forma Condensed Combined Financial Information

The Issuer's unaudited pro forma condensed combined financial information for the year ended December 31, 2017 presented in the tables below combines the financial information from the following financial statements: (i) the Issuer Financial Statements; (ii) Flos 2017 Consolidated Financial Statements; (iii) B&B 2017 Consolidated Financial Statements and (iv) LP 2017 Consolidated Financial Statements, and the relevant pro forma effects are represented as though the Transactions had occurred on December 31, 2017 for the pro forma condensed combined statement of financial position information and on January 1, 2017 for the pro forma condensed combined income statement. The Issuer's unaudited pro forma condensed combined financial information for the six months ended June 30, 2017 and 2018 presented in the tables below has been derived by adding the financial information from the following financial statements: (i) the Issuer Financial Statements; (ii) Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements; (iii) B&B 2018 H1 Unaudited Consolidated Financial Statements and (iv) LP 2018 H1 Unaudited Consolidated Financial Statements, and the relevant pro forma effects are represented as though the Transactions had occurred on June 30, 2017 or 2018, as applicable, for the pro forma condensed combined statement of financial position information and on January 1, 2017 or 2018, as applicable, for the pro forma condensed combined income statement. The Issuer's unaudited pro forma condensed combined financial information as of and for the twelve months ended June 30, 2018, presented in the tables below is calculated by taking the Issuer's unaudited pro forma condensed combined income statement for the six months ended June 30, 2018 and adding it to the Issuer's unaudited pro forma condensed combined income statement for the full year ended December 31, 2017 and subtracting the Issuer's unaudited pro forma condensed combined income statement for the six months ended June 30, 2017.

The financial information of Louis Poulsen discussed in this Offering Memorandum is presented in Danish krone (DKK). In certain instances, a convenience translation into euros has been provided. The exchange rate used for the translation of amounts (i) from or derived from Louis Poulsen's statement of financial position is the Bloomberg Composite rate of DKK per euro at the end of the relevant period and (ii) from or derived from Louis Poulsen's income statement is the average Bloomberg Composite rate of DKK per euro for the period under discussion. The rates used to provide the convenience translation may differ from the actual rates used in the preparation of other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the convenience translations provided for certain of Louis Poulsen's financial information indicate that amounts in DKK could be or could have been converted into euro at any particular rate indicated or any other rate. For information regarding the exchange rate between DKK and the U.S. dollar, see "*Exchange Rate Information*".

The unaudited pro forma adjustments are based on currently available financial information and certain assumptions that we believe are reasonable and include adjustments which give effect to events that are directly attributable to the Transactions and the acquisition of LP by Investindustrial in August 2018, are expected to have a continuing impact on the Issuer and are factually supportable. The Issuer's Unaudited Pro Forma Condensed Combined Financial information presented below has been prepared by management for illustrative purposes and as supplemental information to facilitate management discussion and analysis. Such information is not necessarily indicative of what our or the Target Group combined results of operations actually would have been had the Transactions been completed as of the dates indicated nor is it meant to be indicative of any anticipated condensed balance sheets or income statements that the Group will experience after such transactions. In addition, such unaudited pro forma condensed combined financial information has not been prepared and shall not be construed to be in compliance with Regulation S-X under the U.S. Securities Act or the Prospectus Directive or any other regulations or the SEC or any other regulator and does not purport to project the future financial results

of operations of the combined entities. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma condensed combined financial information have been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration. See "*Risk Factors—Risks Related to Our Financial Information—The pro forma condensed combined financial and other information included herein does not necessarily reflect what our results will be going forward or would have been historically had the Transactions taken place as of a previous date and such information should be read in conjunction with the Consolidated Financial Statements*".

The unaudited pro forma condensed combined financial information presented in the tables below is presented in accordance with IFRS and is based on the assumptions and subject to the qualifications and adjustments, including certain differences between Italian GAAP (the accounting principles applied by B&B), Danish GAAP (the accounting principles applied by LP) and IFRS (the accounting principles applied by Flos), described in the notes accompanying the unaudited pro forma condensed combined financial information as of and for the year ended December 31, 2017 and for the six months ended June 30, 2017 and 2018 set forth under "*Unaudited Pro forma Condensed Combined Financial Information*". For further information, see also "*Presentation of financial and other information—Unaudited Pro Forma Condensed Combined Financial Information*".

Summary Unaudited Pro Forma Condensed Combined Income Statement Information

	Year ended December 31,	Six months ended June 30,		Twelve months ended June 30,
	2017	2017	2018	2018
in € million				
Revenues from contracts with customers	528.1	259.5	259.7	528.3
Other revenues and income	6.1	2.4	2.5	6.2
Total revenues	**534.2**	**261.9**	**262.2**	**534.5**
Purchases of raw materials and variation in inventories	(165.6)	(82.2)	(78.6)	(162.0)
Personnel costs	(105.3)	(52.5)	(53.8)	(106.6)
Service costs	(129.3)	(67.3)	(68.8)	(130.8)
Provisions	(1.7)	(1.0)	(1.0)	(1.7)
Other costs and charges	(15.6)	(7.7)	(7.8)	(15.7)
Total costs	**(417.5)**	**(210.7)**	**(210.0)**	**(416.8)**
Amortization, depreciation and write-downs	(20.8)	(9.9)	(9.8)	(20.7)
Operating profit	**95.9**	**41.3**	**42.4**	**97.0**
Financial income	2.2	0.7	1.3	2.8
Financial charges	(54.5)	(26.9)	(26.4)	(54.0)
Result before tax coming from continuing operations	**43.6**	**15.1**	**17.3**	**45.8**
Income taxes	(11.6)	(3.8)	(5.0)	(12.8)
Net result coming from continuing operations	**32.0**	**11.3**	**12.3**	**33.0**
Profit (loss) for the period	**32.0**	**11.3**	**12.3**	**33.0**

Summary Unaudited Pro Forma Condensed Combined Statement of Financial Position Information

	As of June 30, 2018
ASSETS	
Non-current assets	
Intangible fixed assets	
—Goodwill	1,379.4
—Other intangible fixed assets	254.9
Property, plant and machinery	108.7
Deferred tax assets	12.1
Non-current receivables from companies of the Group	0.3
Non-current financial assets	2.5
Other non-current assets	3.3
Total Non-current assets	**1,761.2**
Current assets	
Inventories	78.7
Trade receivables	69.0
Current receivables from companies of the Group	0.4
Tax assets and other current assets	—
Tax credit and due from tax authorities	4.9
Other assets	6.9
Current financial assets	—
Cash and cash equivalents and deposits	—
Total current assets	**160.0**
Assets held for disposal	4.3
Total assets	**1,925.5**
EQUITY AND LIABILITIES	
Total Group Shareholders' equity	**984.6**
Total shareholders' equity	**1,005.5**
Non-current liabilities	
Defined benefit plans	7.3
Provisions for contingencies and other charges	10.0
Non-current financial liabilities	685.0
Deferred taxes	73.0
Other non-current liabilities	0.9
Total non-current liabilities	**776.2**
Current liabilities	
Current financial liabilities	6.3
Trade payables	100.0
Current liabilities to companies of the Group	0.3
Tax payables and other current liabilities	—
Tax payables and due to tax authorities	11.9
Due to social security institutions	3.6
Due to personnel and other payables	21.8
Total current liabilities	**143.8**
Total liabilities	**920.0**
Total shareholders' equity and liabilities	**1,925.5**

Target Group Synergized EBITDA and Pro Forma Other Financial Information

Target Group Synergized EBITDA

The following table sets forth a calculation of each Target's EBITDA and Adjusted EBITDA and our Target group Synergized EBITDA for the twelve months ended June 30, 2018.

€ millions	Flos	LP[5]	B&B	Target Group EBITDA	Total Synergies and Other Adjustments[6]	Target Group Synergized EBITDA[6]
Net profit (loss) for the period	**25.1**	**12.8**	**21.0**			
Income taxes	8.3	3.9	8.4			
Financial income	(0.8)	(1.3)	(0.9)			
Financial charges	12.0	0.8	8.0			
Amortization and depreciation	8.3	5.2	6.2			
EBITDA[1][4]	**52.9**	**21.4**	**42.7**	**117.0**		
Allowance for bad debts and write-downs	0.3	—	0.4			
Impairment of non-current assets	0.2	—	—			
Other provisions for risks and charges	1.1	—	0.1			
Non-recurring and non-core costs and other adjustments	2.0[2]	—	0.7[3]			
Adjusted EBITDA[4]	**56.5**	**21.4**	**43.9**	**121.8**	**13.5**	**135.3**

(1) EBITDA, in connection with each Target, is Net profit (loss) for the period excluding the effect of (i) income taxes, (ii) net financial income (charges) and (iii) amortization and depreciation, on the basis of the income statement of each of Flos, LP and B&B presented in accordance with IFRS, as derived from the Issuer's unaudited pro forma condensed combined financial information set forth in "*Unaudited Pro forma Condensed Combined Financial Information*". Accordingly, amounts for LP and B&B have been reclassified from Danish GAAP and Italian GAAP, respectively, into IFRS and, with respect to LP, converted from DKK into euro at the average exchange rate of DKK per euro for the period (see "*Exchange Rate Information*"). Flos' Consolidated Financial Statements are already presented under IFRS and, accordingly, no conversion was required for the calculation of EBITDA. For LP and B&B, EBITDA differs from Reported EBITDA presented elsewhere in this Offering Memorandum, as Reported EBITDA is calculated on the basis of the income statement of each of LP and B&B presented in accordance with its respective accounting principles (Danish GAAP for LP and Italian GAAP for B&B), as reclassified in order for the presentation to be in a format that is more typical for international investors. For Flos, EBITDA corresponds to Reported EBITDA. For additional information, see "*Presentation of financial and other information—Non-GAAP Financial Measures*", "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Flos Historical Financial Information*", "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—LP Historical Financial Information*" and "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—LP Historical Financial Information*".

(2) Non-recurring and non-core costs and other adjustments for Flos mainly includes €1.2 million of costs related to Flos' management incentive plan, €0.4 million of costs incurred in the reorganization of two commercial subsidiaries and €0.4 million of other minor non-core costs.

(3) Non-recurring and non-core costs and other adjustments for B&B mainly includes: (i) €0.4 million of costs in connection with the launch of B&B's new LCD (Luigi Caccia Dominioni) collection as part of the Azucena brand that B&B acquired in December 2017 and (ii) €0.3 million in advisory costs associated with selecting and recruiting the new B&B CEO, who joined the company in March 2018.

(4) Each of EBITDA and Adjusted EBITDA is a supplemental measure of the performance of each Target that is not required by, or presented in accordance with, IFRS, Danish GAAP or Italian GAAP, as applicable, or any other generally accepted accounting principles. These measures are not measurements of the financial performance of each Target under IFRS, Danish GAAP or Italian GAAP, as applicable, and should not be considered in isolation or as an alternative to net income, cash flows or any other measures of performance or liquidity prepared in accordance with IFRS, Danish GAAP or Italian GAAP, as applicable, or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity. We believe EBITDA and Adjusted EBITDA provide useful information with respect to the overall operating performance and debt service capacity of each Target by facilitating comparisons of operating performance on a consistent basis by removing the impact of items not directly resulting from the Targets' core operations. We believe EBITDA and Adjusted EBITDA may be helpful to securities analysts, investors and other interested parties to assist in their assessment of the trading performance of the business of each Target. We note, however, that each of EBITDA and Adjusted EBITDA has limitations as an analytical tool, and should not be considered a substitute measure to net income, net income margin, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of our liquidity. See "*Presentation of financial and other information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

(5) The financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the twelve months ended June 30, 2018. See "*Exchange Rate Information*".

(6) The table below sets forth the adjustments that have been included in the calculation of Target Group Synergized EBITDA for the twelve months ended June 30, 2018:

	€ million
Synergies	12.9
Tactical retail optimization[(a)]	0.8
New DOS openings[(b)]	0.5
Shared Contract task force[(c)]	1.5
Wholesale acceleration[(d)]	1.6
Launch of direct e-commerce[(e)]	0.4
Cost sharing and optimization[(f)]	8.1
B&B further adjustments[(g)]	0.6
Total Synergies and Other Adjustments[(h)]	13.5

(a) Represents estimated annual run-rate EBITDA (net of expected recurring costs) that we expect to generate from a retail optimization initiative involving our lighting brands, which we expect to be in place by the end of 2020. In particular, following the Transactions, based on certain assumptions, we expect to increase our revenue by cross-selling (i) Louis Poulsen's products in selected Flos' stores and (ii) Louis Poulsen's and Flos' products in selected B&B stores, which will allow us to benefit from existing retail locations and personnel without incurring major additional costs.

(b) Represents estimated EBITDA that we expect to generate in 2020 through the opening of five Group multi-brand DOS, three in 2019 and two in 2020, in secondary markets that could otherwise be difficult to penetrate by each brand individually, and that will be focused on the sale of all our brands. We expect to incur capital expenditures of approximately €2 to €3 million for the opening of each of such stores. All five stores are expected to be still in the ramp-up phase by the end of 2020 and the adjustment does not reflect their full annual run-rate EBITDA potential, which we expect to reach approximately €2.5 to €3 million in 2022.

(c) Represents estimated annual revenue synergies that we expect to achieve through the establishment of certain shared functions of the contract divisions across all brands, increasing the number of leads, conversion rates and average order size. In particular, we plan to implement (i) a central intelligence function which will be focused on, inter alia, gathering intelligence on potential sales leads and developing common tools for business development and training, and will be in charge of shared customer relationship management ("**CRM**") activities; and (ii) a team of account managers dedicated to certain important Specifiers (such as architect firms, interior decorators, etc.) who will, inter alia, promote the Group brands and educate prescribers on the Group offering and loyalty programs (e.g. discount incentives). We expect that the contract task force will also include various specification and offer teams that will be organized by brand or product category (e.g. lighting, kitchen, living and bedroom, outdoor, etc.) as necessary, and will, inter alia, prepare commercial offers and follow the sales leads produced by the central intelligence function. We expect that these initiatives will be in place by the end of 2020.

(d) Represents estimated annual run-rate EBITDA that we expect to generate from an increased focus on our wholesale channel management. In particular, we intend to (i) implement a common database that will collect and combine data from our third-party managed points of sale (e.g., size, location, products sold, historical sales performance, etc.), and (ii) create a central marketing team that will, *inter alia*, coordinate brands execution across points of sale to maximize sales potential. We expect that these initiatives will be in place by the end of 2020.

(e) Represents estimated additional run-rate annual EBITDA (net of expected recurring costs) that we expect to generate from instituting an integrated e-commerce strategy, with one digital platform where all our brands will be available for sale (except for Arclinea) and that allows for partially shared content creation, leveraging on the recently renovated Flos' e-commerce platform. We expect that this initiative will be in place by the end of 2020.

(f) Represents estimated annual cost savings that we expect to achieve from a number of initiatives. In particular, we intend to (i) partially harmonize our agents' compensation per region across our brands through the re-negotiation of existing relevant contracts; (ii) optimize our warehousing and logistics network through sharing our existing warehouses across our brands and re-negotiating existing contractual arrangements with logistics service providers; (iii) increase gross margin of Louis Poulsen products (e.g. by outsourcing the production of non-iconic products); and (iv) integrate and consolidate our subsidiaries' operations and management in selected markets (such as the U.S. market). We estimate that the implementation of part of these cost saving initiatives, which we expect to occur by the end of 2020, may result in certain one-off costs, such as costs in connection with personnel rationalization.

(g) Represents costs that we expect to incur in 2018 in connection with certain ongoing reorganization initiatives at Arclinea for the re-launch of the Arclinea brand, that we currently expect to start generating benefits from 2019 onwards.

(h) The adjustments used to calculate Target Group Synergized EBITDA are based on a number of assumptions made in reliance on the information available to us, a third-party report commissioned by us, and management's judgments based on such information. The available information is preliminary and the assumptions used in estimating these Target Group Synergized EBITDA components are inherently uncertain, forward looking in nature and subject to a wide variety of significant business, economic and competitive risks and uncertainties. We cannot assure you that the information on which we have based our assumptions will not change or that we will be able to realize any of the as-yet unrealized cost savings and revenue synergies we believe are possible based on these management estimates and assumptions. Furthermore, the costs we incur in trying to realize these cost savings and revenue synergies may be substantially higher than our current estimates and could outweigh any benefit. Accordingly, this information does not represent the results such cost saving initiatives or revenue synergies would have achieved had the initiatives been implemented or revenue streams been in place as of July 1, 2017. Target Group Synergized EBITDA is calculated by applying the synergy adjustments and the other adjustments described above to the sum of the Adjusted EBITDA of the Targets. Neither our independent auditors, nor any other independent accountants, have audited, reviewed, verified, compiled, examined or performed any procedures with respect to the Target Group Synergized measures contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Target Group Synergized EBITDA is included in this Offering Memorandum because we believe that it provides a useful indication of what our Adjusted EBITDA for the twelve months ended June 30, 2018 would have been under certain circumstances and

assumptions as described herein; however, this information does not constitute a measure of financial performance under IFRS or any other auditing standard, and you should not consider Target Group Synergized EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity. See "*Risk Factors—Risks Related to Our Financial Information—Our Target Group Synergized EBITDA presented in this Offering Memorandum is based upon management estimates and assumptions in respect of certain cost savings and revenue synergies. Such estimates and assumptions might prove to be materially incorrect as a result of factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*".

Pro Forma Other Financial Information

	Group
	As of and for the twelve months ended June 30, 2018
(in € millions, except for ratios)	
Pro Forma Group Revenue	534.5
Pro forma cash and cash equivalents[(1)]	—
Pro Forma Financial Debt[(2)]	731.8
Pro Forma Cash Interest Expense[(3)]	45.2
Ratio of Pro Forma Financial Debt to Target Group Synergized EBITDA	5.4x
Ratio of Target Group Synergized EBITDA to Pro Forma Cash Interest Expense	3.0x

(1) Reflects the Issuer's consolidated cash and cash equivalents as of the date indicated after giving pro forma effect to the Transactions as if they had occurred on June 30, 2018. For further information, see "*Capitalization*" and "*Unaudited Pro forma Condensed Combined Financial Information*". The amount does not reflect the cash generated and not utilized by the Targets after June 30, 2018. As of September 30, 2018, we estimate that our pro forma cash and cash equivalents was €85.9 million.

(2) Reflects the Issuer's consolidated gross financial debt (net of cash and cash equivalent of zero) as of the date indicated after giving pro forma effect to the Transactions as if they had occurred on June 30, 2018. For further information, see "*Capitalization*" and "*Unaudited Pro forma Condensed Combined Financial Information*". Pro Forma Financial Debt does not include amounts outstanding as of the Issue Date under the Revolving Credit Facility. We expect that the Revolving Credit Facility will be undrawn on the Completion Date. However, in the event that freely available cash on balance sheet of one or more of the relevant Targets on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions. Pro Forma Financial Debt has not been prepared in accordance with IFRS or any other generally accepted accounting principles and has been presented for illustrative purposes only and does not purport to represent what our net financial debt would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our net financial debt for any future period or our financial condition at any future date. Net financial debt is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*".

(3) Represents the estimated Pro Forma Cash Interest Expense of the Issuer for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions as if they had occurred on July 1, 2017 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) €320.0 million Floating Rate Notes issued at 100.0% and carrying an interest rate of three-month EURIBOR plus 6.00% (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), and (ii) €400.0 million 6.50% Fixed Rate Notes issued at 100.0%. Pro Forma Cash Interest Expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility or interest accruing on the €11.8 million of other financial liabilities that we expect will remain outstanding following the Transactions (mainly consisting of financial leasing, local and short-term uncommitted unsecured credit facilities and deferred purchase price obligations, as further described under "*Capitalization*") and is calculated gross of the debt issuance costs in connection with the Transactions. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Summary Combined Target Group Financial Information

in € million	Year ended December 31, 2015	2016	2017
Combined Total Revenues[1]	441.4	502.0	534.2
% year-on-year growth	—	*13.7%*	*6.4%*
Combined Reported EBITDA[2]	83.0	103.5	114.7
as a % of Combined Total Revenues	*18.8%*	*20.6%*	*21.5%*
Combined Capital Expenditures[3]	13.2	19.9	18.8
as a % of Combined Total Revenues	*3.0%*	*4.0%*	*3.5%*
of which: Combined maintenance capital expenditures[3]	9.4	10.4	10.4
as a % of Combined Total Revenues	*2.1%*	*2.1%*	*1.9%*
of which: Combined growth capital expenditures[3]	3.8	9.5	8.4
as a % of Combined Total Revenues	*0.9%*	*1.9%*	*1.6%*
Combined Net Working Capital[4]	40.0	46.9	42.7
as a % of Combined Total Revenues	*9.1%*	*9.3%*	*8.0%*
of which: Combined trade receivables[4]	65.2	72.7	72.0
of which: Combined inventories[4]	57.8	65.3	70.7
of which: Combined trade payables[4]	(83.0)	(91.1)	(100.0)

(1) Combined Total Revenues is the sum of the total revenues presented in each of the Flos Consolidated Financial Statements, the income statement of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors and the income statement of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors. Each of these financial statements has been prepared under a different accounting standard (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Total Revenues is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*". The table below sets forth the calculation of Combined Total Revenues for each of the years ended December 31, 2015, 2016 and 2017:

in € million	Year ended December 31, 2015	2016	2017
Flos total revenues	180.9	209.8	216.4
LP total revenues[1]	96.0	100.9	107.7
B&B total revenues	164.5	191.3	210.1
Combined Total Revenues	**441.4**	**502.0**	**534.2**

(1) LP total revenues have been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

(2) Combined Reported EBITDA is the sum of the EBITDA derived from each of the Flos Consolidated Financial Statements, the income statement of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors and the income statement of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors. Each of these financial statements has been prepared under a different accounting standard (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Reported EBITDA is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and*

measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable". The table below sets forth the calculation of Combined Reported EBITDA for each of the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
in € million			
Flos Reported EBITDA[(a)]	43.4	52.0	52.9
LP Reported EBITDA[(b)]	10.1	14.0	19.9
B&B Reported EBITDA[(c)]	29.5	37.5	41.9
Combined Reported EBITDA	**83.0**	**103.5**	**114.7**
as a % of Combined Total Revenues	***18.8%***	***20.6%***	***21.5%***

(a) For a reconciliation of Flos net profit (loss) for the period to Flos Reported EBITDA, see "*—Historical Financial Information of Each Target—Flos Historical Financial Information—Flos Reported EBITDA*".

(b) For a reconciliation of LP net profit (loss) for the period to LP Reported EBITDA, see "*—Historical Financial Information of Each Target—LP Historical Financial Information—LP Reported EBITDA*". LP Reported EBITDA has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

(c) For a reconciliation of B&B net profit (loss) for the period to B&B Reported EBITDA, see "*—Historical Financial Information of Each Target—B&B Historical Financial Information—B&B Reported EBITDA*".

(3) Combined Capital Expenditures is the sum of maintenance capital expenditures and growth capital expenditures of each of the Targets, as derived from each Target's respective management accounts. Each of the Targets' management accounts has been prepared under a different accounting standard using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Capital Expenditures is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*". The table below sets forth the calculation of Combined Capital Expenditures for each of the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
in € million			
Flos maintenance capital expenditures	6.6	7.8	6.5
LP maintenance capital expenditures[(a)]	1.1	1.2	2.6
B&B maintenance capital expenditures	1.7	1.4	1.3
Combined maintenance capital expenditures	**9.4**	**10.4**	**10.4**
as a % of Combined Total Revenues	***2.1%***	***2.1%***	***1.9%***
Flos growth capital expenditures	—	0.2	1.2
LP growth capital expenditures[(a)]	1.6	2.9	4.4
B&B growth capital expenditures	2.2	6.4	2.8
Combined growth capital expenditures	**3.8**	**9.5**	**8.4**
as a % of Combined Total Revenues	***0.9%***	***1.9%***	***1.6%***
Combined Capital Expenditures	**13.2**	**19.9**	**18.8**
as a % of Combined Total Revenues	***3.0%***	***4.0%***	***3.5%***

(a) Financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

(4) Combined Net Working Capital is the sum of trade receivables and inventories less trade payables for each of the Targets, as derived from the Flos Consolidated Financial Statements, the statement of financial position of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors and the statement of financial position of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors. Each of these financial statements has been prepared under a different accounting standard (IFRS for Flos, Danish GAAP for LP and Italian GAAP for B&B) using different recognition and measurement criteria and as such are not directly comparable. As a result, Combined Net Working Capital is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their*

historical financial information, and other financial information derived from their historical financial information, is not directly comparable". The table below sets forth the calculation of Combined Net Working Capital as of December 31, 2015, 2016 and 2017:

	As of December 31,		
	2015	2016	2017
in € million			
Flos trade receivables	32.2	33.9	35.2
LP trade receivables[(a)]	11.7	10.1	9.4
B&B trade receivables	21.3	28.7	27.4
Combined trade receivables	**65.2**	**72.7**	**72.0**
Flos inventories	25.9	28.5	28.8
LP inventories[(a)]	10.3	9.1	11.6
B&B inventories	21.6	27.7	30.3
Combined inventories	**57.8**	**65.3**	**70.7**
Flos trade payables	(27.4)	(27.7)	(33.6)
LP trade payables[(a)]	(11.1)	(11.7)	(14.0)
B&B trade payables	(44.5)	(51.7)	(52.4)
Combined trade payables	**(83.0)**	**(91.1)**	**(100.0)**
Combined Net Working Capital	**40.0**	**46.9**	**42.7**
as a % of Combined Total Revenues	***9.1%***	***9.3%***	***8.0%***

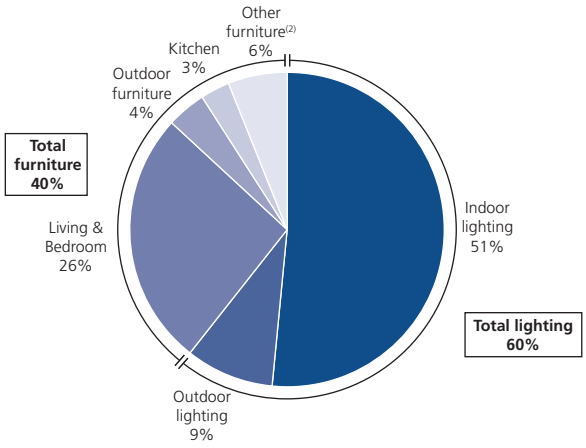
(a) Financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

OTHER AGGREGATED FINANCIAL INFORMATION OF THE TARGET GROUP

The charts below present the Group Aggregated LTM Revenue Breakdowns by product category, brand, sales channel and geographical area for the twelve months ended June 30, 2018. The Group Aggregated LTM Revenue Breakdowns aim to illustrate the various categories of revenue of the combined Group, giving effect to the completion of the Acquisitions. The Group Aggregated LTM Revenue Breakdowns are based on categorization of types of revenue under the same categories across the three Targets and do not necessarily follow the categorization used by management of each Target historically. In addition, the Group Aggregated LTM Revenue Breakdowns are based on Aggregated LTM Revenue, which is a sum of revenue as provided in the management accounts of each of Flos, B&B and LP. These management accounts have been prepared under different accounting principles using different recognition and measurement criteria and as such are not directly comparable. As a result, the Group Aggregated LTM Revenue Breakdowns are inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations and may differ materially from our actual results. See "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

The Group Aggregated LTM Revenue Breakdowns are being presented for information purposes because we believe that they provide a useful measure of our combined results of operations. However, they have not been audited or reviewed in accordance with any generally accepted auditing standards and do not necessarily reflect the product categories, divisions or channels on which the Group will report going forward. Accordingly, any reliance you place on this information should take this into consideration.

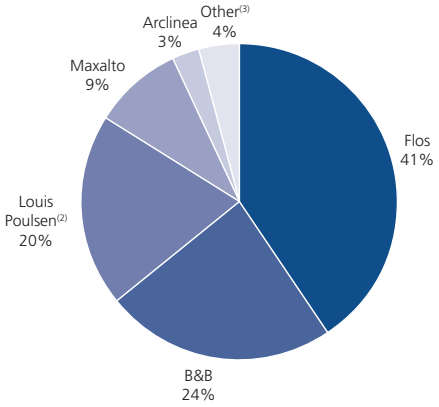
Aggregated LTM Revenue[(1)] by Product Category



(1) Aggregated LTM Revenue is the sum of revenue as provided in the management accounts of each Target for the period indicated. Each of these management accounts has been prepared under different accounting standards using different recognition and measurement criteria and as such are not directly comparable. As a result, Aggregated LTM Revenue is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

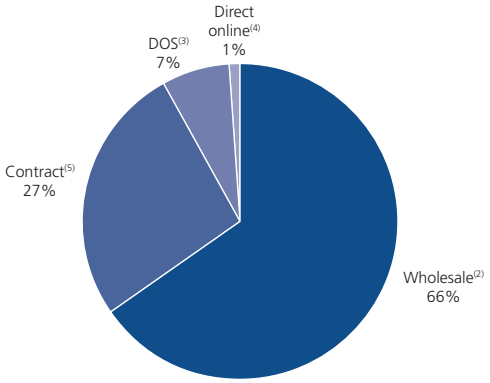
(2) Other furniture includes revenues from B&B's Contract division and B&B bathroom products.

Aggregated LTM Revenue[1] by Brand



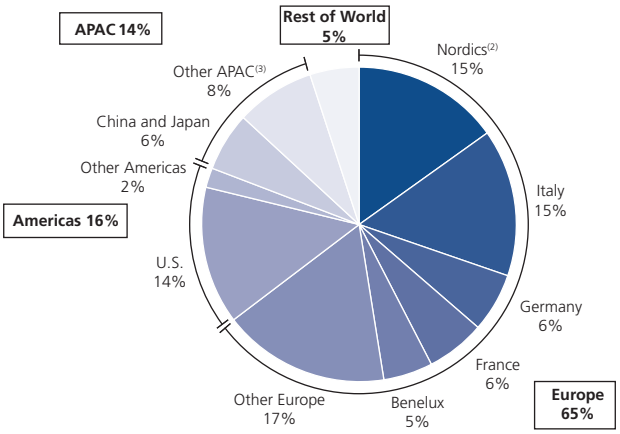
(1) Aggregated LTM Revenue is the sum of revenue as provided in the management accounts of each Target for the period indicated. Each of these management accounts has been prepared under different accounting standards using different recognition and measurement criteria and as such are not directly comparable. As a result, Aggregated LTM Revenue is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".
(2) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(3) Other includes revenue from B&B's Contract division that are not branded B&B Italia, Maxalto or Arclinea.

Aggregated LTM Revenue[1] by Sales Channel



(1) Aggregated LTM Revenue is the sum of revenue as provided in the management accounts of each Target for the period indicated. Each of these management accounts has been prepared under different accounting standards using different recognition and measurement criteria and as such are not directly comparable. As a result, Aggregated LTM Revenue is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".
(2) Wholesale includes all of Louis Poulsen's B2C division revenues, excluding revenues derived from the direct online channel.
(3) DOS includes revenues from directly operated Flos and B&B stores.
(4) Direct online includes revenues from Flos' U.S. e-commerce website and LP's direct e-commerce websites in Denmark, Sweden, Norway and Germany.
(5) Contract includes all of Louis Poulsen's B2B division revenues.

Aggregated LTM Revenue[1] by Geography



(1) Aggregated LTM Revenue is the sum of revenue as provided in the management accounts of each Target for the period indicated. Each of these management accounts has been prepared under different accounting standards using different recognition and measurement criteria and as such are not directly comparable. As a result, Aggregated LTM Revenue is inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and is not comparable to our Pro Forma Group Revenue, and should not be relied upon when making an investment decision. See "*Presentation of Financial and Other Information—Non-GAAP Financial Measures*" and "*Risk Factors—Risks Related to Our Financial Information—Each of the Targets applies a different accounting standard using different recognition and measurement criteria and as a result, their historical financial information, and other financial information derived from their historical financial information, is not directly comparable*".

(2) Nordics comprises Denmark, Sweden, Norway and Finland.

(3) Other APAC includes New Zealand and Australia.

Historical Financial Information of Each Target

Flos

The following summary historical consolidated income statement, statement of financial position, and statement of cash flows for Flos have been derived from the Flos Consolidated Financial Statements, included in the financial pages to this Offering Memorandum. Each of the Flos Consolidated Financial Statements have been audited by EY S.p.A. and have been prepared in accordance with IFRS. The Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*".

B&B

The following summary historical consolidated income statement, statement of financial position, and statement of cash flows for B&B have been derived from the B&B Consolidated Financial Statements, included in the financial pages to this Offering Memorandum. Each of the B&B Consolidated Financial Statements have been audited by KPMG S.p.A. and have been prepared in accordance with Italian GAAP. The B&B 2018 H1 Unaudited Consolidated Financial Statements have been prepared in accordance with OIC 30, "*Interim Financial Reporting*", the Italian accounting standard that governs the preparation of interim financial statements. Italian GAAP differs in certain aspects from IFRS. For a discussion of the differences between Italian GAAP and IFRS, see Annex A. B&B has reclassified and renamed certain Italian GAAP line items of its income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. Tables setting forth a reconciliation of the reclassified and renamed line items to corresponding line items in the B&B Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex C. For further information, see "*Presentation of financial and other information—Historical Financial Information—B&B*".

Louis Poulsen

The following summary historical consolidated income statement, statement of financial position, and statement of cash flows for LP have been derived from the LP Consolidated Financial Statements, included in the financial pages to this Offering Memorandum. The LP 2017 Consolidated Financial Statements and the LP 2016 Consolidated Financial Statements have been audited by Deloitte Statsautoriseret Revisionspartnerselskab and the LP 2015 Consolidated Financial Statements have been audited by Ernst & Young Godkendt Revisionspartnerselskab. Each of the LP Consolidated Financial Statements have been prepared in accordance with Danish GAAP. The LP Consolidated Financial Statements are included in the financial pages to this Offering Memorandum. Danish GAAP differs in certain aspects from IFRS. For a discussion of the differences between Danish GAAP and IFRS, see Annex B. Louis Poulsen has reclassified and renamed certain Danish GAAP line items on its income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. Tables setting forth a reconciliation of the reclassified and renamed line items to corresponding line items in the LP Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex D. For further information, see "*Presentation of financial and other information—Historical Financial Information—LP*".

General

The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the three Targets presented below is based on the Targets' respective consolidated financial statements and is calculated by taking the results of operations of the relevant Target for the six months ended June 30, 2018 and adding it to the results of operations of such Target for the full year ended December 31, 2017 and subtracting the results of operations of such Target for the six months ended June 30, 2017. This data has been prepared

solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Targets financial reporting and has not been audited or reviewed.

The historical consolidated financial statements of the Targets presented below have not been adjusted to reflect the impact of any changes to the relevant consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of the acquisition accounting to be applied as a result of the Acquisitions. The application of acquisition accounting adjustments could result in different carrying values for existing assets and assets we may add to our consolidated statement of financial position, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the consolidated financial statements presented below once the acquisition accounting adjustments have been made. In addition, the acquisition accounting for the Investindustrial acquisition of Louis Poulsen has not yet been completed.

You should read the information summarized below in conjunction with the information contained in "*Presentation of Financial and Other Information*", "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Notes*", the Flos Consolidated Financial Statements, the B&B Consolidated Financial Statements and the LP Consolidated Financial Statements, and the respective notes thereto, which are included in the financial pages to this Offering Memorandum. The information below is not necessarily indicative of the results of future operations.

Flos Historical Financial Information

Flos Summary Consolidated Income Statements

IFRS in € million	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2015	2016	2017	2017	2018	2018[2]
Revenues	178.6	206.8	212.6	105.0	107.9	215.5
Other revenues and income	2.3	3.0	3.8	1.4	1.5	3.9
Total revenues	**180.9**	**209.8**	**216.4**	**106.4**	**109.4**	**219.4**
Purchases of raw materials and variation in inventories	(53.5)	(62.6)	(63.9)	(32.6)	(32.1)	(63.4)
Personnel costs	(27.1)	(33.1)[1]	(35.5)	(17.1)	(18.5)	(36.9)
Service costs	(50.1)	(54.7)[1]	(56.7)	(29.1)	(31.3)	(58.9)
Provisions	(1.3)	(1.5)	(1.1)	(0.6)	(0.6)	(1.1)
Other costs and charges	(5.0)	(5.4)	(5.6)	(2.7)	(2.8)	(5.7)
Total costs	**(137.0)**	**(157.3)**	**(162.8)**	**(82.1)**	**(85.3)**	**(166.0)**
Amortization, depreciation and write-downs	(7.5)	(8.1)	(8.8)	(4.3)	(4.3)	(8.8)
Earnings before interest and taxes (EBIT)	**36.4**	**44.4**	**44.8**	**20.0**	**19.8**	**44.6**
Financial income	1.0	0.9	0.6	0.3	0.5	0.8
Financial charges	(12.9)	(14.1)	(12.9)	(6.3)	(5.4)	(12.0)
Profit before tax coming from continuing operations	**24.5**	**31.2**	**32.5**	**14.0**	**14.9**	**33.4**
Income taxes	(3.0)	(6.7)	(9.0)	(4.4)	(3.7)	(8.3)
Net profit of discontinued operations	0.1	—	—	—	—	—
Net profit for the year	**21.6**	**24.5**	**23.5**	**9.6**	**11.2**	**25.1**
Profit for the year, pertaining to minority interest	1.6	1.8	1.5	0.8	0.7	1.4
Profit for the year, pertaining to the shareholders of the group	20.0	22.7	22.0	8.8	10.5	23.7

(1) Personnel costs and Service costs for the year ended December 31, 2016 presented in this table are derived from the 2016 comparative income statement contained in Flos 2017 Consolidated Financial Statements and differ from Personnel costs and Service costs presented in Flos 2016 Consolidated Financial Statements (€31.6 million and €56.2 million, respectively). These have been reclassified in the table above as a result of a different accounting treatment of salary payments to certain employees of Lukas Lighting Inc., which Flos acquired in November 2015.

(2) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

Flos Summary Consolidated Statements of Financial Position

IFRS in € million	As of December 31, 2015	2016	2017	As of June 30, 2018
Assets				
Non-current assets				
Intangible fixed assets				
— *Goodwill*	353.8	353.8	354.9	354.9
— *Other intangible fixed assets*	148.7	148.3	148.4	148.5
Property, plant and machinery	57.4	57.4	55.8	56.1
Deferred tax assets	3.4	4.0	4.0	4.4
Non-current financial assets	0.6	0.6	0.6	0.6
Other non-current assets	0.6	0.6	0.7	0.6
Total Non-current assets	**564.5**	**564.7**	**564.4**	**565.1**
Current assets				
Inventories	25.9	28.5	28.8	33.4
Trade receivables	32.2	33.9	35.2	33.6
Tax assets and other current assets				
Tax credit and due from tax authorities	4.1	4.4	3.4	2.5
Other assets	1.3	1.4	1.8	1.5
Current financial assets	0.1	—	0.1	—
Cash and cash equivalents and deposits	37.9	30.8	29.7	28.2
Total current assets	**101.5**	**99.0**	**99.0**	**99.2**
Assets held for disposal	0.3	0.3	0.3	0.3
Total assets	**666.3**	**664.0**	**663.7**	**664.6**
Equity and Liabilities				
Shareholders' Equity				
Share Capital	1.9	1.9	1.9	1.9
Other reserves	375.6	377.6	400.0	422.3
Reserve for actuarial gains and losses	(0.2)	(0.2)	(0.2)	(0.2)
Cash Flow Hedge reserve	—	(1.6)	(1.0)	(1.0)
FTA reserve	3.3	3.3	3.3	3.3
Carried forward Profit/Losses	(18.2)	—	—	—
Profit for the year/period	20.0	22.6	22.0	10.5
Total group shareholders' equity	**382.4**	**403.6**	**426.0**	**436.8**
Minority shareholders' equity	3.5	3.7	2.9	2.9
Profit/(loss) attributable to minority interest	1.6	1.8	1.5	0.7
Total shareholders' equity	**387.5**	**409.1**	**430.4**	**440.4**
Non-current liabilities				
Defined benefit plans	2.9	2.8	2.9	2.7
Provisions for contingencies and other charges	2.0	3.0	3.6	4.3
Non-current financial liabilities	187.3	161.0	138.1	126.5
Deferred taxes	41.5	41.1	41.1	41.2
Other non-current liabilities	0.1	0.1	0.1	—
Total non-current liabilities	**233.8**	**208.0**	**185.8**	**174.7**
Current liabilities				
Current financial liabilities	6.3	7.6	2.1	2.6
Trade payables	27.4	27.7	33.6	35.3
Tax payables and other current liabilities				
Tax payables and due to tax authorities	2.2	2.2	2.7	2.5
Due to social security institutions	1.2	1.3	1.7	1.2
Due to personnel and other payables	7.9	8.1	7.4	7.9
Total current liabilities	**45.0**	**46.9**	**47.5**	**49.5**
Total liabilities	**278.8**	**254.9**	**233.3**	**224.2**
Total shareholders' equity and liabilities	**666.3**	**664.0**	**663.7**	**664.6**

Flos Summary Cash Flow Statements

IFRS in € million	Year ended December 31, 2015	2016	2017	Six months ended June 30, 2017	2018	Twelve months ended June 30, 2018[1]
Net cash and cash equivalents at beginning of the period	**43.9**	**37.9**	**30.8**	**30.8**	**29.7**	**21.3**
Net profit for the year/period	**21.6**	**24.5**	**23.5**	**9.6**	**11.2**	**25.1**
Net cash flows from operations	19.6	16.4	26.3	8.8	9.2	26.7
Net cash flows from / (used in) investing activities	(67.6)	(7.1)	(7.1)	(4.0)	(4.5)	(7.6)
Cash flow from / (used in) financing activities	20.4	(40.9)	(43.8)	(23.9)	(17.4)	(37.3)
Net cash and cash equivalents at end of the period	**37.9**	**30.8**	**29.7**	**21.3**	**28.2**	**28.2**

(1) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

Flos EBITDA and Adjusted EBITDA

in € million	Year ended December 31, 2017	Six months ended June 30 2017	Six months ended June 30, 2018	Twelve months ended June 30, 2018[3]
Net profit for the year/period	**23.5**	**9.6**	**11.2**	**25.1**
Income taxes	9.0	4.4	3.7	8.3
Financial income	(0.6)	(0.3)	(0.5)	(0.8)
Financial charges	12.9	6.3	5.4	12.0
Amortization and depreciation	8.1	3.9	4.1	8.3
EBITDA[1]	**52.9**	**23.9**	**23.9**	**52.9**
Allowance for bad debts	0.5	0.3	0.1	0.3
Impairment of non-current assets	0.2	0.1	0.1	0.2
Other provisions for risks and charges	1.1	0.6	0.6	1.1
Non-recurring and non-core costs and other adjustments[2]	0.7	0.3	1.6	2.0
Adjusted EBITDA	**55.4**	**25.2**	**26.3**	**56.5**

(1) For Flos, EBITDA corresponds to Reported EBITDA and is derived from Flos Consolidated Financial Statements. See "*Presentation of financial and other information—Non-GAAP Financial Measures*".

(2) Includes costs related to the reorganization of two commercial subsidiaries, certain minor non-core costs and, for the six and twelve months ended June 30, 2018, €1.2 million of costs related to Flos' management incentive plan.

(3) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

Flos Reported EBITDA

IFRS in € million	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2017
Net profit for the period	**21.6**	**24.5**	**23.5**
Net profit of discontinued operations	(0.1)	—	—
Income taxes	3.0	6.7	9.0
Financial income	(1.0)	(0.9)	(0.6)
Financial charges	12.9	14.1	12.9
Amortization and depreciation	7.0	7.6	8.1
Reported EBITDA(1)	**43.4**	**52.0**	**52.9**

(1) For Flos, Reported EBITDA corresponds to EBITDA and is derived from Flos Consolidated Financial Statements. See "*Presentation of financial and other information—Non-GAAP Financial Measures*".

Other Flos Financial and Operating Data

Revenue by Business Division

IFRS in € million	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2015	2016	2017	2017	2018	2018(1)
Decorative	79.8	88.4	92.7	45.3	47.3	94.7
Architectural	74.5	74.9	78.5	39.1	39.8	79.1
Custom	10.4	19.7	17.8	8.8	8.8	17.8
Outdoor	13.9	23.8	23.6	11.8	12.1	23.9
Revenues	**178.6**	**206.8**	**212.6**	**105.0**	**107.9**	**215.5**

(1) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

Revenue by Geographic Area

IFRS in € million	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2015	2016	2017	2017	2018	2018(1)
Italy	29.3	37.3	39.3	20.3	21.4	40.4
Rest of Europe	97.4	103.1	108.4	54.8	53.5	107.1
Americas	23.6	31.6	28.6	12.8	15.3	31.1
APAC	26.5	33.5	34.9	16.4	16.8	35.3
Rest of World	1.8	1.3	1.4	0.7	0.9	1.6
Revenues	**178.6**	**206.8**	**212.6**	**105.0**	**107.9**	**215.5**

(1) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

LP Historical Financial Information

***LP Summary Consolidated Income Statement Information*[1]**

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[2]	
	in DKK million			in € million[3]	in DKK million		in DKK million	in € million[3]
Revenues	716	750	801	107.7	377	370	794	106.7
Other revenues and income	—	1	—	—	—	—	—	—
Total revenues	**716**	**751**	**801**	**107.7**	**377**	**370**	**794**	**106.7**
Purchases of raw materials and variation in inventories	(272)	(274)	(262)	(35.2)	(124)	(113)	(251)	(33.7)
Personnel costs	(239)	(232)	(247)	(33.2)	(123)	(121)	(245)	(32.9)
Service costs	(120)	(135)	(140)	(18.8)	(73)	(69)	(136)	(18.3)
Provisions	(10)	(6)	(4)	(0.5)	(3)	(2)	(3)	(0.4)
Other costs and charges	—	—	—	—	—	—	—	—
Total costs	**(641)**	**(647)**	**(653)**	**(87.7)**	**(323)**	**(305)**	**(635)**	**(85.3)**
Amortization, depreciation and write-downs	(42)	(42)	(50)	(6.7)	(24)	(25)	(51)	(6.9)
Earnings before interest and taxes (EBIT)	**33**	**62**	**98**	**13.2**	**30**	**40**	**108**	**14.5**
Financial income	—	1	13	1.7	3	—	10	1.3
Financial charges	(11)	(21)	(6)	(0.8)	—	—	(6)	(0.8)
Profit/(loss) before tax coming from continuing operations	**22**	**42**	**105**	**14.1**	**33**	**40**	**112**	**15.0**
Income taxes	(9)	(15)	(27)	(3.6)	(10)	(12)	(29)	(3.9)
Net profit/(loss) for the year	**13**	**27**	**78**	**10.5**	**23**	**28**	**83**	**11.1**
Profit/(loss) for the year, pertaining to minority interest	(4)	(8)	(24)	(3.2)	(7)	(9)	(26)	(3.5)
Profit/(loss) for the year, pertaining to the group	9	19	54	7.3	16	19	57	7.7

(1) The information set out in this table and the following table setting forth the LP Summary Consolidated Statement of Financial Position is derived from LP Consolidated Financial Statements but has been reclassified in order for the presentation to be in a format that is more typical for international investors. For more information, see "*Presentation of Financial and Other Information—LP*" and Annex D.

(2) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

(3) Financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

LP Summary Consolidated Statement of Financial Position

Danish GAAP	As of December 31, 2015	2016	2017	2017	As of June 30, 2017	2018
	in DKK million			in € million[1]	in DKK million	
Assets						
Non-current assets						
—Goodwill	233	221	209	28.1	215	202
—Other intangible fixed assets	163	160	158	21.2	155	160
Property, plant and machinery	42	45	55	7.4	53	54
Deferred tax assets	20	17	11	1.5	16	11
Non-current financial assets	4	4	4	0.5	4	5
Other non-current assets	16	16	20	2.7	18	20
Total non-current assets	**478**	**463**	**457**	**61.4**	**461**	**452**
Current assets						
Inventories	77	68	86	11.5	81	87
Trade receivables	87	75	70	9.4	62	65
Other assets	15	15	18	2.4	15	14
Cash and cash equivalents and deposits	42	51	54	7.3	25	33
Total current assets	**221**	**209**	**228**	**30.6**	**183**	**199**
Assets held for disposal	—	—	—	—	—	—
Total assets	**699**	**672**	**685**	**92.0**	**644**	**651**
Equity and Liabilities						
Equity						
Share Capital	17	17	17	2.3	17	17
Retained Earnings	154	176	224	30.1	192	243
Total shareholders' equity	**171**	**193**	**241**	**32.4**	**209**	**260**
Minority shareholders' equity	77	86	111	14.9	93	120
Total shareholders' equity	**248**	**279**	**352**	**47.3**	**302**	**380**
Non-current liabilities						
Defined benefit plans	4	5	5	0.7	5	6
Provisions for contingencies and other charges	9	8	4	0.5	8	3
Non-current liabilities to companies of the group	—	—	—	—	—	—
Non-current financial liabilities	191	—	—	—	—	—
Deferred taxes	39	38	37	5.0	38	37
Other non-current liabilities	11	9	8	1.1	9	7
Total non-current liabilities	**254**	**60**	**54**	**7.3**	**60**	**53**
Current liabilities						
Current financial liabilities	37	174	88	11.8	118	64
Trade payables	83	87	104	14.0	87	72
Current liabilities to companies of the Group	—	—	2	—	—	2
Tax payables and other current liabilities						
Tax payables and due to tax authorities	12	12	19	2.6	13	20
Due to personnel and other payables	65	60	66	9.0	64	60
Total current liabilities	**197**	**333**	**279**	**37.4**	**282**	**218**
Total liabilities	**451**	**393**	**333**	**44.6**	**342**	**271**
Total shareholders' equity and liabilities	**699**	**672**	**685**	**92.0**	**644**	**651**

(1) Financial information for LP has been converted from DKK to euro using the period end Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

LP Summary Cash Flow Statement Information

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[1]	
	in DKK million			in € million[2]	in DKK million			in € million[2]
Cash and cash equivalents at beginning of the period	**26**	**42**	**51**	**6.9**	**51**	**54**	**25**	**3.4**
Cash flows from operating activities	82	99	146	19.6	47	27	126	16.9
Cash flows from / (used in) investing activities	(17)	(38)	(56)	(7.5)	(19)	(21)	(58)	(7.8)
Cash flows from / (used in) financing activities	(49)	(52)	(87)	(11.7)	(54)	(27)	(60)	(8.1)
Cash and cash equivalents at end of the period	**42**	**51**	**54**	**7.3**	**25**	**33**	**33**	**4.4**

(1) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.
(2) Financial information for LP has been converted from DKK to euro using the average or period end, as relevant, Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".

LP EBITDA[1]

Danish GAAP *IFRS Adjusted* **€ in million**	Year ended December 31, 2017	Six months ended June 30, 2017	Six months ended June 30, 2018	Twelve months ended June 30, 2018[3]
Net profit (loss) for the period	**12.1**	**3.9**	**4.6**	**12.8**
Income taxes	3.6	1.3	1.6	3.9
Financial income	(1.7)	(0.4)	—	(1.3)
Financial charges	0.8	—	—	0.8
Amortization and depreciation	5.1	2.4	2.6	5.2
EBITDA[2]	**19.9**	**7.2**	**8.8**	**21.4**

(1) Financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".
(2) EBITDA has been derived from the income statement of LP contained in the Issuer's unaudited pro forma condensed combined financial information set forth in "*Unaudited Pro forma Condensed Combined Financial Information*", presented in accordance with IFRS. For the purposes of the table above, amounts have been converted from DKK into euro at the average exchange rate of DKK per euro for the relevant period. See "*Presentation of financial and other information—Non-GAAP Financial Measures*".
(3) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

LP Reported EBITDA

Danish GAAP	Year ended December 31, 2015		Year ended December 31, 2016		Year ended December 31, 2017	
	DKK	€[1]	DKK	€[1]	DKK	€[1]
Net profit (loss) for the period	**13**	**1.7**	**27**	**3.6**	**78**	**10.5**
Income taxes	9	1.2	15	2.0	27	3.6
Financial income	—	—	(1)	(0.1)	(13)	(1.7)
Financial charges	11	1.5	21	2.8	6	0.8
Amortization and depreciation	42	5.6	42	5.6	50	6.7
Reported EBITDA[2]	**75**	**10.1**	**104**	**14.0**	**148**	**19.9**

(1) Financial information for LP has been converted from DKK to euro using the average Bloomberg Composite rate for the relevant period. See "*Exchange Rate Information*".
(2) Reported EBITDA has been calculated on the basis of the income statement of LP presented in this Offering Memorandum in accordance with Danish GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors. See "*Presentation of financial and other information—Non GAAP Financial Measures*" and Annex D.

Other LP Financial and Operating Data

Revenue by Business Division

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[1]	
	in DKK million			in € million	in DKK million			in € million
B2C	310	350	429	57.7	199	213	443	59.5
B2B	406	400	372	50.0	178	157	351	47.2
Indoor	*201*	*189*	*192*	*25.8*	*99*	*79*	*172*	*23.1*
Outdoor	*205*	*211*	*180*	*24.2*	*79*	*78*	*179*	*24.0*
Total revenues	**716**	**750**	**801**	**107.7**	**377**	**370**	**794**	**106.7**

(1) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

Revenue by Geographic Area

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[1]	
	in DKK million			in € million	in DKK million			in € million
Nordics	373	390	459	61.7	214	196	441	59.2
Rest of Europe	111	119	118	15.9	54	56	120	16.1
U.S.	138	141	113	15.2	52	59	120	16.1
Japan	64	71	71	9.5	37	39	73	9.8
Rest of World	30	29	40	5.4	20	20	39	5.2
Total revenues	**716**	**750**	**801**	**107.7**	**377**	**370**	**794**	**106.5**

(1) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B Historical Financial Information

***B&B Summary Consolidated Income Statement Information*[1]**

Italian GAAP in € millions	Year ended December 31, 2015 Predecessor[2]	2016	2017	Six months ended June 30, 2017	2018	Twelve months ended June 30, 2018[3]
Revenues	161.4	188.3	207.8	103.8	102.1	206.1
Other revenues and income	3.1	3.0	2.3	1.0	1.0	2.3
Total revenues	**164.5**	**191.3**	**210.1**	**104.8**	**103.1**	**208.4**
Purchases of raw materials and variation in inventories	(50.9)	(61.8)	(66.5)	(32.9)	(31.3)	(64.9)
Personnel costs	(31.1)	(32.8)	(37.4)	(19.3)	(19.5)	(37.6)
Service costs	(42.6)	(48.9)	(53.9)	(28.5)	(28.3)	(53.7)
Provisions	(0.2)	(0.7)	(0.1)	—	(0.1)	(0.2)
Other costs and charges	(7.7)	(8.9)	(9.8)	(4.9)	(4.9)	(9.8)
Total costs	**(132.5)**	**(153.2)**	**(167.7)**	**(85.6)**	**(84.1)**	**(166.2)**
Amortization, depreciation and write-downs	(8.2)	(19.3)	(19.8)	(9.7)	(9.3)	(19.3)
Earnings before interest and taxes (EBIT)	**23.8**	**18.8**	**22.6**	**9.5**	**9.7**	**22.9**
Financial income	0.3	0.3	0.1	—	0.8	0.9
Financial charges	(0.6)	(9.3)	(8.6)	(4.4)	(3.7)	(8.0)
Profit/(loss) before tax coming from continuing operations	**23.5**	**9.8**	**14.1**	**5.1**	**6.8**	**15.8**
Income taxes	(7.8)	(5.5)	(5.3)	(1.3)	(3.0)	(7.1)
Net profit/(loss) for the year	**15.7**	**4.4**	**8.8**	**3.9**	**3.8**	**8.7**
Profit/(loss) for the year, pertaining to minority interest	—	0.1	(0.2)	(0.2)	(0.5)	(0.5)
Profit/(loss) for the year, pertaining to the shareholders of the group	15.7	4.3	9.0	4.1	4.4	9.3

(1) The information set out in this table and the following table setting forth B&B Summary Consolidated Statement of Financial Position is derived from B&B Consolidated Financial Statements but has been reclassified in order for the presentation to be in a format that is more typical for international investors. For more information, see "*Presentation of Financial and Other Information—B&B*" and Annex C.

(2) Refers to the predecessor entity (B&B Italia S.p.A.), which was extinguished and merged into its parent company Durini 14 S.p.A. (concurrently renamed B&B Italia S.p.A.) with an effective date of October 1, 2016, following the acquisition of the B&B group by funds advised by Investindustrial in 2015. See "*Risk Factors—Risks Related to Our Financial Information—The financial information for Flos and B&B included in this Offering Memorandum reflect certain changes in the scope of consolidation during the periods under review. Accordingly, investors should exercise caution in comparing each of Flos' and B&B's financial information across the periods under review*".

(3) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B Summary Consolidated Statement of Financial Position

Italian GAAP in € millions	As of December 31, 2015 Predecessor	2016	2017	As of June 30, 2017	2018
Assets					
Non-current assets					
Intangible fixed assets					
—Goodwill	—	162.7	154.8	159.3	150.4
—Other intangible fixed assets	4.2	91.3	85.4	87.7	83.8
Property, plant and machinery	31.6	48.6	46.8	47.1	45.4
Shareholding in affiliated companies	0.1	—	—	—	—
Deferred tax assets	4.9	6.7	5.7	6.4	5.6
Non-current receivables from companies of the Group	—	—	0.3	—	0.3
Non-current financial assets	—	1.2	1.2	1.2	1.2
Other non-current assets	—	—	—	—	—
Total Non-current assets	**40.8**	**310.4**	**294.2**	**301.7**	**286.7**
Current assets					
Inventories	21.6	27.7	30.3	24.4	33.6
Trade receivables	21.3	28.7	27.4	23.7	26.7
Current receivables from companies of the Group	0.9	0.1	—	0.1	0.4
Tax assets and other current assets					
Tax credit and due from tax authorities	6.7	5.7	2.4	2.6	2.4
Other assets	3.0	3.1	3.1	3.0	3.5
Current financial assets	—	—	—	—	—
Cash and cash equivalents and deposits	28.7	26.5	31.9	30.9	48.5
Total current assets	**82.2**	**91.9**	**95.2**	**84.6**	**115.2**
Assets held for disposal	4.0	4.0	4.0	4.0	4.0
Total assets	**126.9**	**406.3**	**393.4**	**390.3**	**405.9**
Equity and Liabilities					
Shareholders' Equity					
Share Capital	12.0	1.0	1.0	1.0	1.0
Other reserves	37.6	179.5	176.9	177.1	177.1
Reserve for actuarial gains and losses	—	—	—	—	—
Cash Flow Hedge reserve	—	(1.9)	(1.3)	(1.3)	(1.5)
FTA reserve	—	—	—	—	—
Carried forward Profit/Losses	1.9	(1.4)	2.7	2.9	11.7
Profit/(Loss) for the year	15.7	4.3	9.0	4.1	4.4
Total group shareholders' equity	**67.2**	**181.5**	**188.3**	**183.8**	**192.7**
Minority shareholders' equity	—	—	1.8	1.8	1.6
Profit/(loss) attributable to minority interest	—	—	(0.2)	(0.2)	(0.5)
Total shareholders' equity	**67.2**	**181.5**	**189.9**	**185.4**	**193.8**
Non-current liabilities					
Defined benefit plans	3.1	4.1	3.6	3.9	3.5
Provisions for contingencies and other charges	1.5	5.5	5.2	4.6	5.3
Non-current financial liabilities	—	114.7	101.3	101.0	101.7
Deferred taxes	0.1	28.1	26.7	27.4	26.1
Other non-current liabilities	—	—	—	—	—
Total non-current liabilities	**4.8**	**152.4**	**136.8**	**136.9**	**136.6**
Current liabilities					
Current financial liabilities	—	7.0	3.8	2.8	6.1
Trade payables	44.5	51.7	52.4	53.0	55.0
Current liabilities to companies of the Group	—	—	—	—	—
Tax payables and other current liabilities					
Tax payables and due to tax authorities	3.9	2.0	2.8	3.8	6.7
Due to social security institutions	1.9	2.2	2.4	2.4	2.4
Due to personnel and other payables	4.6	9.5	5.3	6.1	5.4
Total current liabilities	**54.9**	**72.5**	**66.7**	**68.1**	**75.6**
Total liabilities	**59.7**	**224.7**	**203.5**	**205.0**	**212.2**
Total shareholders' equity and liabilities	**126.9**	**406.3**	**393.4**	**390.3**	**405.9**

B&B Summary Cash Flow Statement Information

Italian GAAP in € million	Year ended December 31, 2015 Predecessor	2016	2017	Six months ended June 30, 2017	2018	Twelve months ended June 30[1], 2018
Net cash and cash equivalents at beginning of the period	**10.4**	**30.9**	**26.5**	**26.5**	**31.9**	**31.9**
Cash flows from operating activities	28.6	16.5	27.5	23.8	16.3	20.0
Cash flows from / (used in) investing activities	(4.1)	(6.8)	(3.9)	(1.1)	(1.9)	(4.7)
Cash flows from / (used in) financing activities	(6.2)	(5.8)	(18.2)	(18.3)	2.1	2.2
Change in the consolidated scope	—	(8.3)	—	—	—	—
Net cash and cash equivalents at end of the period	**28.7**	**26.5**	**31.9**	**30.9**	**48.4**	**49.4**

(1) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B EBITDA and Adjusted EBITDA

Italian GAAP IFRS Adjusted in € million	Year ended December 31, 2017	Six months ended June 30 2017	Six months ended June 30, 2018	Twelve months ended June 30[3], 2018
Net profit (loss) for the period	**21.1**	**10.1**	**10.0**	**21.0**
Income taxes	6.6	1.9	3.7	8.4
Financial income	(0.1)	—	(0.8)	(0.9)
Financial charges	8.6	4.4	3.8	8.0
Amortization and depreciation	6.4	3.0	2.8	6.2
EBITDA[1]	**42.6**	**19.4**	**19.5**	**42.7**
Allowance for bad debts	0.5	0.2	0.1	0.4
Other provisions for risks and charges	0.1	—	—	0.1
Non-recurring and non-core costs and other adjustments[2]	0.4	—	0.3	0.7
Adjusted EBITDA	**43.6**	**19.6**	**19.9**	**43.9**

(1) EBITDA has been derived from the income statement of B&B contained in the Issuer's unaudited pro forma condensed combined financial information set forth in "*Unaudited Pro forma Condensed Combined Financial Information*", presented in accordance with IFRS. See "*Presentation of financial and other information—Non-GAAP Financial Measures*".

(2) Includes, for the twelve months ended June 30, 2018: (i) €0.4 million of costs in connection with the launch of B&B's new LCD (Luigi Caccia Dominioni) collection as part of the Azucena brand that B&B acquired in December 2017; and (ii) €0.3 million in advisory costs associated with selecting and recruiting the new B&B CEO, who joined the company in March 2018.

(3) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B Reported EBITDA

Italian GAAP in € million	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2017
Net profit (loss) for the period	**15.7**	**4.4**	**8.8**
Income taxes	7.8	5.5	5.3
Financial income	(0.3)	(0.3)	(0.1)
Financial charges	0.6	9.3	8.6
Amortization and depreciation	5.7	18.7	19.3
Reported EBITDA[1]	**29.5**	**37.5**	**41.9**

(1) Reported EBITDA has been calculated on the basis of the income statement of B&B presented in this Offering Memorandum in accordance with Italian GAAP and as reclassified in order for the presentation to be in a format that is more typical for international investors. See "*Presentation of financial and other information—Non-GAAP Financial Measures*" and Annex C.

Other B&B Financial and Operating Data

Revenue by Sales Channel

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
Italian GAAP in € million	2015 Predecessor	2016	2017	2017	2018	2018[2]
Wholesale	113.2	127.8	152.2	77.2	73.1	148.1
Retail	27.6	29.0	31.1	16.0	15.8	30.9
Contract	21.0	33.5	28.3	10.9	14.9	32.3
Total revenues[1]	**161.8**	**190.3**	**211.6**	**104.1**	**103.8**	**211.4**

(1) B&B's revenue by sales channel is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by sales channel does not correspond to total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €161.4 million, €188.3 million and €207.8 million for the year ended 31 December 2015, 2016 and 2017, respectively and €103,8 million and €102.1 million for the six months ended June 30, 2018 and 2017, respectively.

(2) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

Revenue by Geographic Area

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
Italian GAAP in € million	2015 Predecessor	2016	2017	2017	2018	2018[2]
Italy	25.9	28.2	38.9	19.2	18.9	38.5
Rest of Europe	64.8	72.0	78.9	42.2	43.7	80.5
Americas	37.3	44.0	44.1	21.8	20.8	43.1
APAC	17.8	27.1	33.8	15.8	11.5	29.6
Rest of World	16.2	19.1	15.7	5.0	8.9	19.6
Total revenues[1]	**161.8**	**190.3**	**211.6**	**104.1**	**103.8**	**211.4**

(1) B&B's revenue by geographic area is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by geographic area does not correspond to total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €161.4 million, €188.3 million and €207.8 million for the year ended 31 December 2015, 2016 and 2017, respectively and €103,8 million and €102.1 million for the six months ended June 30, 2018 and 2017, respectively

(2) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

RISK FACTORS

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could have a material adverse effect on our business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment. Prospective investors should note that the risks described below may not be the only risks we face. We have described only those risks that we currently consider to be material and there may be additional risks and uncertainties not presently known to us, or that we currently consider immaterial, that might also have a material adverse effect on our business, financial condition or results of operations.

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

Risks Related to Our Business

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

Our revenue, profitability, cash flow and future growth are affected by general economic conditions, consumer confidence and spending patterns. They may also be adversely affected by negative local, regional, national or international political or economic trends, whether actual or perceived, or developments that reduce consumers' ability or willingness to spend. In particular, our business is heavily dependent on the demand for high-end furniture and lighting products, especially in Europe and the Americas, which make up a significant portion of the Group's revenue. Declining economic conditions in any of the locations in which we operate, or negative perceptions about economic conditions, could lead to a decrease in consumer spending and ultimately a decline in the demand for our products, which in turn would adversely affect our business. In particular, our products are discretionary items and sales of such items normally depend on positive consumer sentiment and the availability of discretionary income. For example, according to the Industry Report, following the global economic crisis in 2008, the high-end furniture design market decreased in size from €31 billion in 2008 to approximately €26 billion in 2009.

Since 2013 the global economy has grown at a modest pace, curbed by the stagnation of economic activity in parts of Europe, as well as the slow-down of several emerging economies. In the Eurozone, the pace of economic recovery has lagged behind that of other advanced economies following the prior global recession, including as a result of the sovereign debt crisis that affected several European countries, including Italy, Greece, Ireland, Portugal and Spain. While economic growth has improved in certain Eurozone countries in recent periods, recovery remains relatively weak, particularly in Italy, and economies may revert to contracting. The European Central Bank (the "**ECB**") embarked upon quantitative easing in 2015 to address economic stagnation and a slowdown in growth of consumer prices in the Eurozone. Earlier this year, the ECB announced that it is planning to reduce and then end its quantitative easing program by the end of 2018. The tapering of quantitative easing may adversely impact growth in Eurozone countries, including the countries in which the Group operates, with potentially negative impact on the Group's business and results of operations. The economic recovery of the Eurozone may also be jeopardized by the current political instability affecting several countries, including the UK's decision to leave the EU (as described in more detail below under "*—Market*

perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities. In addition, the current political uncertainty in Italy could particularly affect Flos' and B&B's businesses"), the possible exit from the European Union of more Member States and/or the replacement of the euro by one or more successor currencies to which the foregoing could lead. In particular, the political uncertainty in Italy resulting from the March 2018 elections, as well Moody's downgrade of Italy's ratings to Baa3 in October 2018 driven by, among other things, the weakening in Italy's fiscal strength with the Italian government targeting higher budget deficits than those expected, add uncertainties that could affect the Italian economy (as described in more detail below under "*—Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities. In addition, the current political uncertainty in Italy could particularly affect Flos' and B&B's businesses*"). These events could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in certain countries, as well as on the financial condition of European institutions, further increasing the volatility in the European financial markets, which may affect demand for the Group's products.

Although the U.S. and Canadian economies appear to be strengthening, we can give no assurance that such growth will continue, or that the U.S. and Canadian economies will not, in the near future, experience economic struggles or, in particular, that the U.S. will not engage in protectionism or trade wars with other countries that could adversely impact global economic conditions. Furthermore, weakening of currencies in some emerging countries from time to time increases the risk of financial contagion in emerging markets globally. Any extended recession or other periods of declining economic conditions, either globally or in any of the locations in which we operate, could substantially decrease the demand for our products and adversely affect our business, financial condition and results of operations.

Continued weakness in the global economy for a significant period of time, or a further deterioration of global economic conditions, could adversely affect consumer-spending behavior, which is driven by levels of unemployment, inflation or deflation, disposable income, interest rates, the availability of consumer credit and consumer perception of their own economic prospects and overall economic conditions. These factors affect all markets in which we operate, although to different degrees. Our revenue and profitability could therefore be adversely affected by unfavorable economic conditions, an economic downturn or an otherwise uncertain economic outlook, globally or in one or more of the principal markets in which we operate or will operate in the future. Deteriorating economic conditions, by limiting demand for our products, may also increase pricing pressure on the products that we sell and result in a corresponding decline in our margins.

Moreover, adverse conditions in the credit and financial markets could prevent us from obtaining financing or credit on favorable terms in order to fulfill our financing needs (including the need to refinance or repay our debt obligations, including the Notes). If we are unable to repay our debt obligations or access the credit and capital markets, we may not be able to pursue certain of our business plans, which could have a material adverse effect on our business, financial condition and results of operations. Global economic conditions and uncertainties may also affect our suppliers, resulting in, for example, supplier plant closures or increases in the cost of merchandise and/or raw materials. As a result, an economic downturn or persistent unfavorable economic conditions in the markets in which we operate, particularly conditions that negatively affect consumer spending, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

The high-end furniture and lighting industries are subject to rapidly changing consumer preferences and trends. The purchasing decisions of consumers are highly subjective and can be

influenced by many factors, such as marketing programs, product design and brand image. Consumers of our products tend to be design conscious, have rigorous standards and sophisticated tastes, which can be difficult to satisfy or anticipate. The historical success of our brands is attributable, in part, to our ability to introduce products which are perceived to anticipate, shape and reflect interior design trends. For the twelve months ended June 30, 2018, Flos, Louis Poulsen and B&B incurred €3.2 million, DKK 22 million (€3.0 million) and €3.0 million, respectively, on research and product development to support our ability to continue to produce innovative and beautifully designed products that meet our customers' needs and expectations, which we believe is critical to our future success. For the twelve months ended June 30, 2018, Flos, Louis Poulsen and B&B generated 29.4%, 25.9% and 40.8% of their revenue, respectively, from the sale of products that each company introduced over the course of the last five years. Our success also depends on our ability to react to changing customer and consumer demands, preferences and habits in a timely manner. We cannot predict whether the new products we launch will be well received by consumers in our target markets and/or demographics, or even whether such new products will be introduced in a timely or cost-effective manner. Decisions regarding product design must be made months in advance of the time when consumer acceptance can be measured and, therefore, such decisions are inherently uncertain. An inability to keep pace with product development, anticipate consumer preferences, meet consumer demands or understand consumer habits could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business is also subject to frequent and sometimes significant changes in technology, and if we fail to anticipate or adequately respond to such changes, or do not have sufficient capital to invest or respond to these developments, our profits may decline. Our future financial performance will depend in part upon our ability to adapt our products to evolving technology successfully, both to keep up with customer expectations and preferences and to improve our business operations. We cannot predict all the effects of future technological changes. The cost of adapting our products to new technologies could be significant, and our ability to finance these costs may be adversely affected by our debt servicing requirements or our inability to obtain the financing we require. We cannot assure you that the investments we have made in product development and technology will generate expected returns by enabling us to increase or maintain market share. Any inability to successfully adapt to changing customer preferences and technologies, make sufficient investments in research and product development or generate expected returns on those investments could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

The market for high-end designer furniture and lighting is highly competitive. The key factors that affect competition in this market include, among other things, the profiles of designers and the designs themselves, technical know-how of internal research and product development teams, the breadth of distribution networks, a strong design heritage and quality of relationships with designers and specifiers. Our competitors may focus more of their resources than we do on competitive activities, such as sales and marketing, research and product development and strategic acquisitions, or may have greater purchasing economies of scale and lower cost bases. Over the past several years, certain large international retailers (such as IKEA and Maisons du Monde) that had been historically focused on lower range furnishing and lighting solutions characterized by a low or absent design component have expanded their product offerings to enter the "affordable inspirational" segment of the furniture and lighting market, in an attempt to enlarge their customer base through the offering of quality products with appealing design and at lower price points compared to the high-end furnishing and lighting segment in which we operate. Should these retailers continue to improve the design and quality of their products and maintain accessible price points, we may lose existing customers or fail to attract new customers if we are not able to continue to materially differentiate our products and brands in terms of quality and design, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, although our custom and contract

operations are currently less impacted by this competition, these retailers could expand their operations to such segments in the future.

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

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

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

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

Each of our brands relies to a certain extent on third-party distributors and agents for the sale of their products, and our success depends in part on the quality of services provided by, and our relationships with, these third-party distributors and agents. We normally employ distributors and agents in countries or areas where we do not have a subsidiary or that we cannot otherwise reach directly with our sales team. Our relationships with these distributors and agents are a significant factor in our success and growth strategy. Even though we strive to monitor the operations and performance of our third-party distributors and agents and their compliance with applicable laws and with the contractual arrangements that govern our relationships with them, we do not own or control our third-party distributors and agents, and they own, operate and oversee their daily operations. Our third-party distributors and agents may not commit the necessary resources to market and sell our products to the level of our expectations, and may not operate their businesses in a manner consistent with required laws, standards or regulations. In addition, our distributors may face operational disruptions or financial distress, which could

cause them to suspend or shut down their operations or terminate their relationships with us. For example, a distributor that operated three of B&B's points of sale in Texas shut down its operations in 2018 due to a business decision of its shareholders unrelated to B&B, which resulted in B&B having to replace the distributor in connection with two of the affected points of sale and to assume the direct management of the other affected point of sale. The inability of our third-party distributors or agents to maintain the perception of prestige and high quality associated with our products could have an adverse impact on our brands, adversely affect our ability to compete or expose us to legal claims from designers if we fail to market or sell products in accordance with the terms of our license agreements. Any disruptions in our third-party distributors' or agents' financial or operational conditions and any adverse changes in the relationships with our third-party distributors and agents could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

With respect to our license agreements, we believe that our ability to negotiate, maintain and renew such agreements on satisfactory terms, particularly those that contribute to the ethos that is central to our brands, is essential to maintaining a successful product portfolio. Certain of the license agreements for Flos and, except for a small number of license agreements with key designers, most of the license agreements for B&B are for open-ended terms with provisions allowing the relevant designer to terminate the agreement at any time with prior written notice. Louis Poulsen primarily benefits from license agreements with its core "Big 5" Danish designers, Poul Henningsen, Arne Jacobsen, Verner Panton, Vilhelm Lauritzen and Finn Juhl, which generated 55.3% of Louis Poulsen's revenue for the twelve months ended June 30, 2018. Pursuant to these agreements, Louis Poulsen has been granted the exclusive right to commercially exploit the intellectual property associated with a portfolio of each designer's lighting designs, with the rights generally granted for the duration of the validity of the copyright of the design, which extends for 70 years after the death of the designer. The first of such licenses to expire will do so in December 2037. After the relevant expiry date, Louis Poulsen

will still be able to produce and sell the designs of such designers, but without exclusivity. In addition, Louis Poulsen relies to a more limited extent on license agreements with other designers to complement its heritage collection that have different terms. In particular, although these license agreements do not have set termination dates, most grant the designers the right to terminate the agreement should certain minimum sales rates fail to be met over a specified period, or should Louis Poulsen significantly reduce or cease production of certain products. For more information, see "*—The loss of certain key license agreements could result in the loss of revenue and materially and adversely affect our business. In addition, certain of our designers are not subject to non-compete obligations during the term of their license agreements with us and/or following the termination thereof, and our business could be adversely affected if they were to successfully cooperate with our competitors*".

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

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

Our business depends in part on maintaining license agreements with key designers and cultivating the continued appeal of our licensed designs through consistent innovation. For the twelve months ended June 30, 2018, the top five designers in terms of revenue for each brand who have license agreements with us generated 28.7% of Flos' total revenue, 55.3% of Louis Poulsen's revenue and 67.9% of B&B's total revenue (excluding Arclinea), respectively. Although we have historically maintained positive relationships with our designers and have been able to maintain and renew key licenses, we cannot guarantee that we will continue to be able to do so. See "*Business—Flos—Agreements with Designers*", "*Business—Louis Poulsen—Agreements with Designers*" and "*Business—B&B Italia—Agreements with Designers*". Our licenses typically vary in length of term, with B&B licenses having either open-ended terms or, for certain key licenses, specified terms of 20 years, Flos licenses generally having open-ended terms that can be terminated by the designer at any time with notice and Louis Poulsen licenses generally having open-ended terms extending for the life of the copyright, as well as containing different renewal conditions, termination clauses, license fees and royalty obligations.

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

In addition, some of our license agreements do not contain non-compete clauses, meaning that, following termination, a designer would be permitted to license to third parties the intellectual property rights previously covered by the license agreement. Moreover, designers are normally free to cooperate with other companies operating in our industry on the design of products that are not covered by the license agreement which could be in competition with ours. See also "*—We face significant competition in the development, production and sale of our products*". If a key designer decides to terminate a material license or otherwise requires us to cease production of a key design, or if he or she were to cooperate with our competitors in the

creation of successful designs in competition with our products, the impact on our market position, our brands and our revenue may be significant, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

Total consumer spending may not continue to increase at historical rates due to slowed population growth and shifts in population demographics, and it may not increase in certain product markets given changes in consumer interests. Further, as we expand into new geographic markets and product categories, we may not accurately predict consumer preferences in that market or product category, which could result in lower than expected sales. A decline in consumer spending on high-end design products could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

We may experience difficulties in maximizing collaboration across the Group portfolio and achieving our strategic vision, including taking advantage of cross-selling opportunities, and may incur higher than expected costs or may fail to realize any or all of the anticipated benefits and synergies of the Acquisitions, including those described elsewhere in this Offering Memorandum. Completion of the Acquisitions may also disrupt our relationships with current and new employees, customers and suppliers. We believe that following the completion of the Acquisitions the combined Group portfolio can generate synergies from, *inter alia*, cross-selling our brands in the same point of sale, the opening of approximately five new multi-brand stores directly operated by us, the creation of a shared contract task force with shared sales agents for all of our businesses and other central administrative functions, increasing our focus on wholesale sales through the implementation of a centralized wholesale database and a central marketing team, launching a new joint direct e-commerce platform with distribution in Europe and the U.S. and cost savings associated with harmonizing sales agent compensation, optimizing warehousing and logistics functions and renegotiating contracts with logistics service providers, outsourcing the production of non-iconic Louis Poulsen products and integrating and consolidating operations and management across the geographies in which we operate. Although we expect the combined Group will benefit from such initiatives, there is no guarantee that the expected synergies will be achieved in the expected timeframe or at all, or that the costs, both one-off and recurring, incurred to achieve such synergies will not be greater than the synergies themselves. See "*—Risks Related to Our Financial Information—The pro forma condensed combined financial and other information included herein does not necessarily reflect what our results will be going forward or would have been historically had the Transactions taken place as of a previous date and such information should be read in conjunction with the Consolidated Financial Statements*".

We may also face integration risks in connection with the Acquisitions. In particular, we may be unable to successfully combine our commercial contract business and extensive distribution networks efficiently or effectively, and we may risk cannibalization of certain of our products by selling similar products from another of our brands within the same point of sale. Moreover, creating a joint e-commerce platform might entail difficulties in certain geographies, such as in Europe due to its high fragmentation, or might not be successful for certain of our products (such as furnishing products, for which customer on-site visits and customization services play an important role), and may also adversely affect our relationships with existing online retailers. See also "*—We may not be able to successfully expand into new markets or grow our online presence on a timely basis, or at all, which could harm our growth and results of operations*". In addition, we also will need to fill directorships or senior management roles for the Issuer following the Transactions, including the position of chief executive officer and chief financial officer. The new management will face the difficult task of operating and partially integrating three large and complex businesses that have historically been operated separately. There may be a limited number of persons with the requisite skills to serve in these positions and we cannot assure you that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all. The management team may be unable to effectively direct the combined businesses or achieve the synergies that we anticipate and have presented in this Offering Memorandum. To the extent that we pursue further acquisitions in the near to medium term in line with our acquisition strategy, any of these risks may be further exacerbated. See "*—We intend to carry out acquisitions as part of our growth strategy, which may not deliver anticipated benefits*". The failure to achieve any part of the Group vision in terms of collaboration across the businesses could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Flos', Louis Poulsen's and B&B's success is dependent, to a large extent, on the strength and reputation of each of their brands and designs. In our view, safeguarding each of our brands' image is the basis for customer loyalty and essential to differentiate Flos, Louis Poulsen and B&B from their competitors. As such, we believe we must preserve, grow and leverage the value of each brand and design across each of our business divisions and sales channels and continue to identify products and trends that meet the expectations of our target customers. Incidents, whether isolated or recurring, that erode customer trust, such as faulty designs, lower than expected quality or delays in delivery, particularly if the incidents receive considerable publicity, including rapidly through social or digital media, or result in litigation, and failure to respond appropriately to these incidents or invest sufficient funds and resources to rebuild our reputation could significantly impact our brands and have a negative impact on our business, results of operations and financial condition. In addition, if our customers view a brand and its design trend negatively during the launch of a product, it can be difficult to change those perceptions in the future.

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

Perception of our brands could also deteriorate if trends in luxury goods were to move away from a preference for "made in Italy" or "made in Scandinavia" goods, if we are perceived to act in an unethical or socially irresponsible manner, including with respect to the sourcing, disposal,

content or sale of our products or the use of customer data, if we fail to comply with laws and regulations or if we fail to deliver a consistently positive customer experience in each of our markets. Additionally, inconsistent uses of our brands and other intellectual property assets, as well as failure to protect our intellectual property, including from unauthorized uses of our brand names or other intellectual property assets, can erode customer trust and our brands' value. See "*—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*". Any such erosion in the perceived value of our brand names and designs may adversely affect our competitive position and have a material adverse effect on our business, financial position and results of operations.

In addition, Flos, Louis Poulsen and B&B are each to a certain extent dependent on third-party distributors of their products. For example, a vast majority of our distribution network comprises mono-brand and multi-brand stores that are managed by third parties. These third-party managers typically have their own processes, sales organizations and contracts with landlords and may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with each of our brands' standards and may not hire and train qualified store managers and other personnel. See "*—Our failure to effectively control our distribution network and their commercial practices could adversely affect our brand reputation. In addition, any disruption in the operations of our distributors or in our relationships with them could adversely affect our business*". Should these third-party managers misrepresent our products (*e.g.*, in terms of pricing or product presentation), the perception of our brands may deteriorate. In addition, a large portion of Flos' products are manufactured and assembled by third parties. Even though Flos has procedures in place to continually monitor external production and assembly and has not experienced material disruptions or other issues with its suppliers, Flos' products could be manufactured or delivered in a manner inconsistent with Flos' standards, which could cause delays in the delivery to our customers, otherwise fail to meet our customers' expectations and ultimately adversely affect Flos' brand reputation. Any failure on the part of these third parties to preserve and build our brands could compromise our reputation or the public's perception of our brands, thereby diminishing the value of such brands and potentially having a material adverse effect on our business, results of operations and financial condition.

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

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely could negatively impact our business or our ability to refinance our liabilities. In addition, the current political uncertainty in Italy could particularly affect Flos' and B&B's businesses.

Economic and political events in recent years affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. In addition, continued hostilities in the Middle East and tensions in North Africa and Eastern Europe and other world events could adversely affect the economies of the European Union (the "**EU**") and those of other countries. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission and EU member states to address debt burdens of certain countries in Europe, the overall stability of the Eurozone, the future relationship between the United Kingdom and the EU, the influx of refugees in certain European countries and the rise of populism in Europe.

In June 2016, a majority of voters in the United Kingdom elected in a national referendum to withdraw from the EU. The terms of the withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiated a withdrawal process pursuant to Article 50 of the Treaty on European Union in March 2017. The referendum result has created significant uncertainty about the future relationship between the United Kingdom and the EU and its remaining member states and with respect to the laws and regulations that will apply as the United Kingdom determines which EU-derived laws to replace or replicate following withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws. This uncertainty could increase costs, depress economic activity and restrict our access to capital. If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access across the European Economic Area could be diminished or eliminated and could adversely affect European and worldwide economic and market conditions, as well as possibly contribute to further instability in global financial markets.

The departure or risk of departure from the euro by one or more Eurozone countries or the abandonment of the euro as a currency, or the reintroduction of an individual currency in Italy, could have major negative effects on the Group. The economy in Italy, which represents a significant market for Flos and B&B and is where a large portion of and Flos' and B&B's products are manufactured, could be particularly affected by the occurrence of any such events. The departure of Italy from the euro would increase Flos' and B&B's exposure to changes in currency rates and may result in the imposition of exchange controls, among other economic measures. Any of these developments could affect our ability to refinance our liabilities and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Flos and B&B are also affected by political uncertainty in Italy related to the outcome of the general election held on March 4, 2018, which resulted in a hung parliament. Although a new government has been appointed, there is uncertainty as to whether it will maintain power through a regular term. Prolonged political instability in Italy may result in decreased demand for our products or in challenges to conducting our business as usual. This in turn may give rise to a decrease in prices and profitability levels, which may have a material adverse effect on our business, financial condition and results of operations. Moreover, in the event the new government takes positions or actions adverse to our industry or the Italian economy as a whole, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. On October 19, 2018, Moody's downgraded Italy's local and foreign-currency issuer ratings to Baa3 from Baa2 mainly driven by concerns around the newly elected government's fiscal and economic policy plans, which targets higher budget deficits for the coming years than Moody's had previously assumed, with negative implications for Italy's medium-term growth.

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

Our business depends on the sale of innovative, design-driven products developed by well-known designers. While our license arrangements differ from designer to designer and across our three companies, most agreements provide for periodic payments of royalties or similar fees based on a percentage of net sales or a percentage of the costs incurred by the relevant company to manufacture the relevant products. For each of the years ended December 31, 2015, 2016 and 2017, Flos paid €2.5 million, €2.8 million and €2.7 million in royalties to designers, respectively; Louis Poulsen paid DKK 14 million (€1.9 million), DKK 15 million (€2.0 million) and DKK 16 million (€2.1 million), respectively and B&B paid €3.0 million, €3.3 million and €3.8 million, respectively. In very few cases, license agreements require us to pay minimum guaranteed amounts and may also include advertising fees payable to the relevant designer or investments to be made by us. Under certain circumstances, minimum guaranteed amounts or fixed fees may result in our having to make payments that exceed the amount of income we are able to generate from actual sales of the licensed designs. In addition, from time to time, we may make

upfront advances of royalties or loans to licensors. Furthermore, renewal of a license can lead to renegotiation of commercial terms, which may not be as favorable as the original terms. As a result, there are circumstances in which our payments to certain licensors could exceed our income earned pursuant to the relevant license, such as when we are renewing a key license or when the value of a design or perception of a designer among consumers has become impaired. Any increases in the fees and royalties that we pay designers, especially if those increases result in our payments surpassing the revenue obtained from the design, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

The reporting currency of Flos and B&B is the euro and that of Louis Poulsen is the Danish krone. Each of Flos, Louis Poulsen and B&B operates on an international level and is therefore exposed to foreign currency exchange risk, primarily related to (i) the fact that a portion of their revenues and costs is denominated in currencies different from their relevant reporting currency and (ii) the translation effect resulting from the consolidation of foreign subsidiaries which report in a currency different from the relevant group reporting currency. For the twelve months ended June 30, 2018, approximately 76.9% of Flos' revenue and approximately 76.5% of B&B's revenue was denominated in euro and approximately 35.6% of Louis Poulsen's revenue was denominated in Danish krone.

Although Flos generates most of its revenue and incurs most of its costs in euro, it is partially exposed to the fluctuation of the U.S. dollar against the euro, as a portion of its revenue is denominated in U.S. dollars (11.5% for the year ended December 31, 2017). Accordingly, a depreciation of U.S. dollar against the euro typically has a negative impact on Flos' revenue, although negative impacts are partially offset by certain of Flos' costs that are also denominated in U.S. dollars. To a lesser extent, Flos is also exposed to fluctuations in the value of Chinese renminbi, Danish kroner, GBP, Japanese yen, Norwegian kroner, Swedish kroner and Singapore dollars, either through sales, costs or both denominated in these currencies.

Louis Poulsen is partially exposed to foreign exchange fluctuations in euro, Japanese yen, Swedish kroner, Norwegian kroner, U.S. dollars, GBP, Swiss francs and the Chinese renminbi, as a portion of its revenue is denominated in such currencies. As a result, a depreciation of such currencies against the Danish krone typically has a negative impact on Louis Poulsen's revenue, although such negative impacts are partially offset by certain of Louis Poulsen's costs that are also denominated in these currencies.

B&B is primarily exposed to the fluctuation of the U.S. dollar and the GBP against the euro as a portion of its revenue is denominated in these currencies (18.0% and 5.6% for the year ended December 31, 2017, respectively). Accordingly, although negative impacts are partially offset by certain of B&B's costs that are also denominated in U.S. dollars and GBP, a depreciation of these currencies against the euro typically has a negative impact on B&B's revenue.

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

As Flos generates most of its revenue and incurs most of its costs in euro, it has chosen not to engage in foreign exchange hedging, as it believes that the amount of revenue generated in currencies other than the euro naturally offsets the costs incurred in such other currencies. Louis Poulsen normally enters into forward exchange contracts to secure sales denominated in

Japanese yen, Swedish kroner and Norwegian kroner. B&B has in the past and may in the future enter into derivatives to hedge against currency exchange risk. However, there can be no assurance that we will continue to be able to manage effectively the currency risks we face, either through the use of derivatives or otherwise, and any future exchange rate losses could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Each of Flos, Louis Poulsen and B&B normally sources raw materials from a diversified network of suppliers. However, if the relationships with certain of these key suppliers were to deteriorate, or if one or more of such key suppliers decides to no longer work with us, demands higher prices or more stringent payment terms or is unable to meet the quantity or quality of our product requirements, as a result of a natural disaster, labor strikes, financial difficulties or otherwise, we may experience increased costs and may not be able to develop relationships with new suppliers in a timely manner or in a manner that is sufficient to supply any shortfall. Certain of our supply agreements also contain expiry dates without automatic renewal provisions, and certain supply agreements contain change of control provisions that could be triggered by the Transactions. In addition, although Louis Poulsen sourced components and materials from over 250 suppliers in 2017, its top ten suppliers in accounted for 55.4% of its sourcing value. If we experience a significant increase in demand or need to replace an existing supplier, substitute suppliers may not exist or be prepared to supply branded products to meet our requirements. For new substitute suppliers, we may encounter lack of capacity or delays in delivery. Moreover, a few of our products contain sophisticated high-end materials, such as mouth blown glass, the supply of which is limited. In 2016, Louis Poulsen experienced production issues with respect to its supplier of mouth-blown glass, resulting in delivery delays of products from its special edition copper collection. Even if we were able to identify new suppliers, we may experience delays, increased costs, product shortages and customer back orders as we transition our product requirements to alternative suppliers. In addition, any new supplier with which we do business may be subject to the same or similar quality and quantity-related risks as our existing suppliers. Any such developments could increase our cost of sales and adversely affect our overall profit margins.

We may also experience operational difficulties with certain suppliers, especially in connection with complex contract projects, such as a reduction in the availability of production capacity, errors in complying with product specifications, insufficient quality control or failures to meet production deadlines. For example, in 2013 B&B terminated a supply contract with Epoca Gold S.A. ("**Epoca**") regarding a contract project in Paris following delays and non-conformity of supplies provided by Epoca. B&B was unable to replace Epoca with a single supplier and instead had to engage several suppliers, with a resulting increase in costs. See "*Business—B&B—Legal Disputes and Administrative Proceedings*".

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

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

Although raw materials and other components we purchase from suppliers often represent a relatively small percentage of the price of our products, our margins are partially impacted by the relationship between the prices that we are able to charge for our products and the costs of the raw materials and components required to make these products, or of the finished or semi-finished products we purchase where manufacturing activities are outsourced. In addition,

whenever manufacturing activities are outsourced (such as for most of Flos' decorative products), fluctuations in the prices of the raw materials utilized by the third-party suppliers in their manufacturing processes may also affect prices paid by us for the supply of finished or semi-finished products. Most of our contractual arrangements with suppliers do not protect us from price increases and price lists are revisited quite frequently.

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

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

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

The investments we make in our businesses are in part driven by our expectations of the future success of our products. For those of our products that are not made to order (such as Flos' decorative collection and certain of LP's B2C products) and/or that are produced externally (such as most outdoor products and certain product components of B&B), we often forecast inventory needs and expenses and place orders sufficiently in advance with our third-party suppliers and manufacturers based on our estimates of future demand. Although we frequently adjust our estimates to reflect demand trends and have not experienced material issues in the past, our ability to accurately forecast demand for such products could be affected by many factors, including an increase or decrease in demand for our products or for our competitors' products, unanticipated changes in general market conditions and changes in economic conditions.

If we underestimate demand for a particular product, our third-party manufacturers and suppliers may not be able to deliver sufficient quantities of that product or material to meet our requirements, and we may experience increased delivery times or a shortage of that product available for sale or distribution. The shortage of a popular product or an increase in delivery times could adversely affect our brand, our customer relationships and our ability to attract additional customers. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at further discounted prices, which could have a

material adverse effect on the Group's business, financial condition, results of operations and cash flows.

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

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

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

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

In addition to our manufacturing and assembly operations, we rely upon various means of transportation, primarily provided by third parties, to deliver products from third-party manufacturers or assemblers to our warehouses and from our warehouses to our customers. Labor shortages or capacity constraints in the transportation industry, financial distress or bankruptcy of our couriers, disruptions to the national and international transportation infrastructure, fuel shortages or transportation cost increases (such as increases in fuel costs or port fees) could materially adversely affect our business and operating results. For example, in 2017, Flos' main courier in Italy, Artoni, was admitted to extraordinary administration by the competent court, which led to some minor delays in the delivery of Flos' products. Any of these

disruptions to our logistics organization, whether to our manufacturing and warehouse facilities or to the transport systems that we rely on to get our products to our customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

Each of Flos, Louis Poulsen and B&B operate business divisions dedicated to contract projects for commercial properties. Flos' Architectural and Outdoor divisions, which provide lighting solutions primarily for sophisticated, high-end commercial applications including retail stores, hotels, offices and outdoor markets, and, from time to time, exclusive residential properties, generated 47.8% of Flos' revenue for the twelve months ended June 30, 2018. Louis Poulsen's B2B business comprises sales to specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions and for the twelve months ended June 30, 2018 generated 44.1% of Louis Poulsen's revenue. B&B's Contract division, which delivers custom "turn-key" furniture solutions and finishes in the residential, hospitality, retail and office sectors, generated 15.3% of B&B's revenue (based on management accounts) for the twelve months ended June 30, 2018. Contract projects are generally complex and must be completed to high, bespoke specifications. Although each company typically requests advance payments on contract projects in order to minimize credit risk, given the inherent complexity, large scale and extended duration of these projects, we remain exposed to financial risks related to, among other things, the non-performance of a contract due to bankruptcy or other operational or financial issues of the counterparty, as well as the delay of a project decided by our customer. Moreover, especially in connection with B&B's contract business, when we do receive advance payments, we may from time to time be required to provide customers with bank guarantees and/or performance bonds, which could be enforced if we were to default on our contractual obligations for any reasons, including as a consequence of a delay from one of our suppliers. As of June 30, 2018, B&B bank guarantees and performance bonds amounted to €4.3 million. Contract projects also expose Flos, Louis Poulsen and B&B to significant litigation risks due to the non-performance of a contract arising out of difficulties with suppliers, transportation systems or manufacturing facilities. For example, B&B is currently involved in litigation with Epoca, a supplier on a Contract project in Paris related to the provision of defective products, and with a counterparty in the hospitality industry in Italy related to allegedly defective work. See "*Business—B&B—Legal Disputes and Administrative Proceedings*". As of June 30, 2018, B&B had set aside provisions of €1.2 million in connection with these and other minor pending legal proceedings. Furthermore, the scale of each project, as well as the wide visibility on certain commercial projects, exposes each company to reputational harm should

they fail to meet the client's expectations regarding project design or product quality. Any monetary loss, litigation or reputational harm arising from Flos', Louis Poulsen's or B&B's exposure to large scale projects in their respective commercial contract divisions could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

Louis Poulsen's B2B division comprises sales to specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions and for the twelve months ending June 30, 2018 generated 44.1% of Louis Poulsen's total revenue. Although Louis Poulsen's B2B customers represent a wide range of industries, the vast majority of B2B Outdoor customers are public entities primarily located in Denmark and the U.S., but also in other European countries. As a result, a significant portion of Louis Poulsen's revenue is dependent on governments' and public authorities' programs and funding policies, as well as economic and political conditions. As governments and other public entities suffer from budget deficits, changes in regulations and changes in sentiment around public spending, their capacity to fund high-end designs from Louis Poulsen's B2B division could be materially affected. As a consequence of poor economic conditions or budget cuts, governments or local public authorities may call off or reconsider potential projects, exercise their right to terminate contracts, attempt to renegotiate contract terms in order to reduce costs or delay the time of payment, exposing Louis Poulsen to a significantly reduced demand for new B2B contracts or increased credit risk on existing contracts. Any decrease in spending by public sector entities on commercial lighting projects could adversely affect Louis Poulsen's profit margin, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

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

Flos', Louis Poulsen's and B&B's combined global presence is spread across five continents, with Louis Poulsen operating in approximately 70 countries and each of B&B and Flos operating in approximately 80 countries. While the majority of our revenue currently derives from our operations in Europe, we believe that revenue from sales outside Europe will continue to grow in the foreseeable future. Accordingly, our business is subject to risks resulting from differing legal, political, social and regulatory requirements and economic conditions and unforeseeable developments in a variety of jurisdictions, including emerging markets. These risks include, among other things:

- political instability;
- differing economic cycles and adverse economic conditions;
- disruption of our operations;
- unexpected changes in regulatory environments or economic policies;
- varying tax regimes, including with respect to the imposition of withholding taxes on remittances and other payments by our subsidiaries;
- fluctuations in currency exchange rates;
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- transportation delays and difficulties of managing international distribution channels and suppliers;
- insufficient protection against product piracy and other violations of our intellectual property rights;

- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force.

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

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

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

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

Our growth will be in part dependent on our ability to open profitable new stores and increase our online presence. Two of our key strategies include the opening of approximately five multi brand stores in the next four years in strategic areas and the creation of a new multi-brand e-commerce platform with distribution in Europe and the U.S. (see also "*—We may not be able to fully realize the Group's commercial and strategic vision*"). Our ability to increase the number of our stores will depend in part on the availability of store sites, either directly owned or operated by third parties, that meet our specifications. We may face competition from other retailers for suitable locations and we may also face difficulties in negotiating leases on acceptable terms. In addition, a lack of available financing on terms acceptable to real estate

developers or a tightening credit market may adversely affect the retail sites available to us. Rising real estate and acquisition, construction and development costs and available lease financing could also inhibit our ability to open or acquire new stores. Our growth strategy is also highly dependent on our e-commerce activities and our ability to reach customers worldwide, in particular in the lighting industry. Due to the low barrier to entry to online platforms, we may face intensified competition from other high-end design stores that are also growing their presence online via e-commerce. Moreover, creating a joint e-commerce platform might entail difficulties in certain geographies, such as Europe due to its high fragmentation, or might not be successful for certain of our products (such as furnishing products, for which customer on-site visits and customization services play an important role), and may also adversely affect our relationships with existing online retailers.

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

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

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

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

In addition, continued growth in our transaction volume, as well as surges in online traffic and orders associated with promotional activities or launches in our business, could place additional demands on our technology platform and could cause or exacerbate slowdowns or interruptions. If there is a substantial increase in the volume of traffic on our sites or the number of orders placed by customers, we will be required to further expand and upgrade our technology,

transaction processing systems and network infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our sites or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our sites and our information technology ("**IT**") systems and infrastructure, which is particularly challenging given the rapid rate at which new technologies, customer preferences and expectations and industry standards and practices are evolving. In order to keep pace with these evolving trends, we may from time to time redesign and enhance various functions on our sites and/or our IT systems and infrastructure and we may experience instability and performance issues as a result of these changes. Our disaster recovery plan may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur. Any slowdown or failure of our sites and the underlying technology infrastructure could harm our reputation and impede our ability to acquire, retain and serve our customers, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

We are subject to laws and regulations in a number of areas, including regarding consumer data protection. In the ordinary course of business, we are required to process personal data of our customers. The regulatory environment governing the use of individually identifiable data of customers, employees and others is complex. Privacy and information security laws and requirements change frequently and compliance with them may require us to incur costs to make necessary system changes and implement new administrative processes. Any processing of the personal data of individuals located in the European Economic Area in the course of the provision of services is governed by the EU data protection regime. On May 24, 2016, the EU adopted the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") with the aim to, among other things, strengthen and unify data protection for all individuals within the EU. The GDPR became effective in each EU Member State on May 25, 2018, replacing the former European data protection regulatory framework. The GDPR increases our regulatory burden, in terms of compliance with the new rules, as well as the maximum level of fines for non-compliance. In particular, the new regulation provides for more stringent consumer data privacy legislation compared to the existing regulatory framework, including in connection with the solicitation, collection, processing and use of consumer data. We are currently undertaking a process to conform our internal policies and procedures on the collection, processing and use of personal data to the GDPR. We may be exposed to increased liability under the new laws, including in the form of larger pecuniary sanctions in the event of breach of such laws. In particular, under the GDPR, breaches of data protection rules may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company. Even technical violations of these laws can result in penalties that are assessed for each non-compliant transaction.

In addition, the European Commission has proposed to replace Directive 2002/58/EC on Privacy and Electronic Communications (the "**E Privacy Directive**") with a new regulation primarily aimed at aligning certain provisions of the E Privacy Directive to the GDPR. The Proposal for a Regulation on Privacy and Electronic Communications (the "**E Privacy Regulation**") was published by the European Commission on January 10, 2017 and is currently under analysis before the European Parliament and the European Council. The draft E Privacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personal data, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the E Privacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company. If we were found to be subject to and in violation of any of these laws or other data privacy laws or regulations, we would likely be required to change our business practices and may be exposed to litigation and regulatory penalties and fines, which could have a material adverse effect on our business, financial condition and results of operations. If a data

security breach occurs, our reputation could be damaged and we could experience lost sales, fines or lawsuits. The customer data could be either stolen or misappropriated at any stage of data processing, such as receipt, transmission, use or storage of the data. If any loss or misappropriation were to occur, customers may be unwilling to provide us with their data and direct marketing could be negatively affected as a result. Furthermore, a loss or misappropriation of customer data could result in negative publicity, which could damage our reputation and result in lower sales.

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

The Issuer, Flos and B&B may fail to implement adequate monitoring and control systems as provided for under Italian law or they might be insufficient to prevent the violation of laws and regulations.

As Italian companies, the Issuer, Flos and B&B are subject to Italian Legislative Decree No. 231/2001 ("**LD 231/2001**"), which is aimed, *inter alia*, at preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, environmental crimes, health and safety crimes and any other illegal or otherwise unethical conduct. Pursuant to LD 231/2001, each of Flos and B&B have implemented and the Issuer will implement internal controls and monitoring systems aimed at detecting and preventing such conduct. Although Flos and B&B have maintained and utilized these controls and monitoring systems and the Issuer intends to do so, these systems may be unable to detect or prevent every instance of unethical conduct involving our directors, employees, consultants, partners, internal and third-party agents, representatives and intermediaries. In addition, the Issuer may fail to adequately implement such systems, or the Issuer, Flos or B&B may fail to adequately update such systems. Even if implemented, updated and maintained, these monitoring systems, including internal controls and procedures at each of the Issuer, Flos and B&B, may not be sufficient to protect, detect and identify inadequate practices or violations of law.

Any of the foregoing circumstances, including our failure to adequately implement such monitoring systems, may expose us to civil and administrative penalties, including pursuant to the provisions of LD 231/2001, as well as to reputational damage as a result of such occurrences. In particular, pursuant to LD 231/2001, we may be held responsible for certain crimes committed in Italy or abroad (including, among others, corruption, fraud against the state, corporate offenses, market abuse, certain environmental violations and workplace safety violations) in our interest or for our benefit by individuals having a functional relationship with us at the time the relevant crime was committed, including third-party agents, partners or intermediaries, unless we were able to prove that such individuals fraudulently violated such internal control model and it was impossible for us to avoid such violation. In such circumstances, we may be subject to fines, confiscation of profits or legal sanctions, including, subject to certain conditions, the termination

of authorizations, permits, licenses, concessions and financing arrangements, including facilitated financing, suspension of our operations, or prohibitions on contracting with public authorities. The duration of these disqualifications range from a minimum of three months to a maximum of two years, although in very serious cases, some of these disqualifications can be applied permanently. Certain of the abovementioned legal sanctions may also be applied as interim measures during investigations. As an alternative to the legal sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

In particular, the results of Louis Poulsen have in the past been partly affected by seasonal patterns of new product launches, which normally occur on February 1 and September 1 each year. More generally, Louis Poulsen has historically generated, and expects to continue to generate, a large portion of its revenue in the fourth quarter of the year in connection with the launch of new products, increased demand for indoor lighting during the darker winter months and promotions associated with Black Friday in November and Christmas in December. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Significant Factors Affecting the Results of Operations of Louis Poulsen—Seasonality*". As a result of these factors, Louis Poulsen's working capital requirement is at its highest level in the third quarter as the company ramps up its production and internal sales efforts in preparations for new product launches and increased customer demand during the fourth quarter. Due to Louis Poulsen's significant fixed cost base, represented by rent and employee wages and salaries, if it experiences lower sales during the fourth quarter or other periods of high demand, it may be unable to reduce its costs in the short term to offset the lower revenue, which could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

- the loss of customers, suppliers or key employees;
- our ability to reduce expenses by eliminating duplicative overhead and functions and rationalizing manufacturing capacity in a timely manner;
- our ability to optimize procurement savings with respect to raw materials and other supplies;
- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardizing existing information and systems and consolidating facilities and infrastructure;
- failure to maintain the quality of the products that is associated with our existing brands;
- added costs caused by dealing with such disruptions;
- unforeseen challenges from operating in new geographic areas; and
- the diversion of management's attention from our day-to-day management as a result of the need to deal with the aforementioned disruptions and difficulties.

If we are unable to address these risks could cause us to fail to realize the anticipated benefits of such acquisitions, including operational and organizational synergies, and could impact our ability to achieve the synergies we expect to generate from the Transactions.

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

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

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

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

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

As a result of the Acquisitions, following the completion of the acquisition accounting, we expect to recognize substantial amounts of goodwill and tradename and our consolidated earnings may be affected by charges for amortization of goodwill and tradename. In addition, the "FLOS" trademark is recorded among the intangible fixed assets in Flos' balance sheet with a value of €143.5 million as of June 30, 2018. Such trademark is considered an asset with indefinite useful life and, accordingly, is not amortized and is subject to periodical impairment tests.

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

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

A key element of our marketing strategy is to undertake advertising and promotional activities in support of our brands, especially on social media, as well as in print publications featuring luxury

interiors or geared toward architects and designers. For the twelve months ended June 30, 2018, each of Flos, Louis Poulsen and B&B spent €4.5 million, DKK 49 million (approximately €6.6 million) and €10.1 million, respectively, on marketing and public relations expenses, representing 2.1%, 6.2% and 4.8%, respectively, of their total revenue for the same period. In addition, a few of our license agreements with designers require us to make payments in the form of advertising fees or contributions to specific marketing campaigns. There can be no assurance that such advertising and promotional activities will be successful, will target customers in our core markets or will be relevant to the markets for high-end designer furnishings and lighting. In addition, we undertake direct advertising and promotional activities, namely the creation of display materials for our third-party distributors, catalogues and display materials for trade fairs and exhibitions. We can provide no assurance that our advertising and promotional activities will be successful in promoting and maintaining awareness, and continued spend on these activities without a resulting increase in revenue could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

We cannot assure you that the steps we have taken to protect our intellectual property rights will be adequate to prevent infringement of such rights by others, including through the

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

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

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

As of June 30, 2018, less than a quarter of both Flos' employees and B&B's employees and the majority of Louis Poulsen's employees based in factories located in Denmark and the U.S. belonged to trade unions. There can be no assurance that there will not be any strikes in the future, such as in connection with the Acquisitions and any associated reorganization efforts. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we may become party to labor disputes with certain of our employees and from time to time we may carry out collective dismissals. Such collective dismissals may result in disputes with or claims by trade unions and our employees and we may be required to pay additional amounts to resolve or settle such disputes or claims. Any disputes with our employees or work stoppages resulting from strikes or other labor action could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

We estimate that for the twelve months ended June 30, 2018, a large portion of Flos' and B&B's products carried the *Made in Italy* designation. The use of the Made in Italy designation is regulated by Italian and EU law and requires that the relevant product be entirely produced in Italy or undergo its "last substantial transformation" in Italy, which has been interpreted to include assembly from semi-finished products manufactured elsewhere. We believe that the Made in Italy designation represents a mark of quality and a differentiator of high value-added

products, therefore serving as a competitive advantage for our products carrying the Made in Italy designation as compared to the products of our competitors and across our other collections. If the laws regarding the use of the Made in Italy designation were to become more restrictive in a way that is adverse to our interests, our sales may suffer, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

From time to time, we have been party as defendant or plaintiff in various legal proceedings incidental to the ordinary course of our business. The results of pending or future legal proceedings are inherently difficult to predict and we can provide no assurance that we will not incur losses in connection with current or future civil, administrative or employment suits or other types of judicial, regulatory or administrative proceedings that exceed any provision we have set aside in our financial statements or that exceed any insurance coverage available. As of June 30, 2018, Flos, Louis Poulsen and B&B had set aside provisions relating to pending legal proceedings of €0.4 million, DKK 4 million (approximately €0.5 million) and €1.2 million, respectively. For more information on existing proceedings, see "*Business—Flos—Legal Disputes and Administrative Proceedings*", "*Business—Louis Poulsen—Material Legal Disputes and Administrative Proceedings*" and "*Business—B&B—Legal Disputes and Administrative Proceedings*".

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

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

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

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

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

Tax laws are complex and subject to subjective evaluations and interpretive decisions, and we are and will continue to be periodically subject to tax audits aimed at assessing our compliance with

direct and indirect taxes. We are also subject to transfer pricing laws and regulations, including those relating to the flow of funds among our subsidiaries pursuant to, for example, loan agreements. Adverse developments in laws or regulations, or any change in position by the tax authorities regarding the application, administration or interpretation of laws or regulations, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

In addition, tax authorities may not agree with our interpretations of, or with the positions we have taken or intend to take on, tax laws applicable to our ordinary activities and any extraordinary transactions, including the tax treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses. If tax authorities disagree with or object to our interpretations of tax laws, we could face lengthy tax proceedings that could result in the payment of higher taxes, interest, penalties or sanctions and could have a material adverse effect on our operating results, business and financial condition and on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We may also inadvertently or for reasons beyond our control fail to comply with certain tax laws or regulations in connection with a particular transaction, including any of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. This may have a negative tax impact and may also result in the application of higher taxes, interest, penalties or sanctions.

Some of the Targets' subsidiaries are currently subject to tax audits. Although we currently do not expect such audits to have a material impact on our business, we can provide no assurance that the financial impact of any future audit or investigation or adverse tax adjustment in connection with our business would not have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, tax audits and investigations may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. Any adverse tax consequence in connection with our business could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

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

In addition, our facilities are subject to building permits, zoning and town planning laws and regulations providing for civil, administrative and criminal responsibilities in case of non-compliance. Moreover, our facilities are subject to periodic inspections by regulatory authorities to assess compliance with the applicable regulations. If we were to violate the applicable regulations, we could be fined, and the competent regulator could impose a complete shutdown of the non-compliant manufacturing facility. Failure to comply with EHS laws and regulations could result in severe fines and penalties, the imposition of other civil or criminal sanctions, remediation or restoration requirements, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities. While we believe that EHS laws and regulations will not have a material adverse effect on our business, we cannot assure you that future events, such as new or more stringent environmental laws or the discovery of currently unknown environmental conditions, would not require us to incur substantial additional costs to ensure our continued regulatory compliance, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance coverage could prove inadequate.

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

If one or more claims exceed, in the aggregate, a certain amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over

time in response to any negative development in our claims history or due to material price increases in the insurance market in general. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all. The realization of any of these risks and any of these developments could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

As of June 30, 2018, Flos, Louis Poulsen and B&B had €33.6 million, DKK 65 million and €26.7 million, respectively, in trade receivables from customers. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. While certain customers, depending on the sales channel, are required to pay us in advance, many customers pay their receivables within 60 to 120 days and we can provide no assurance that we will not experience an increase in late payments. Flos, Louis Poulsen and B&B had provisions for doubtful debts of €1.8 million, DKK 1 million (approximately €0.1 million) and €4.5 million, respectively, as of June 30, 2018, representing 5.4%, 1.5% and 16.9% of each of their trade receivables, respectively, but we cannot guarantee that these provisions will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can make no assurance that bad debts associated with delinquent payment or non-payment by our customers will not increase. Furthermore, in the event that these customers are unable to timely pay the amounts due to us, we may need to implement certain specific debt management plans which, while allowing our customers to continue their operations, may entail a reduction or deferral of the payments due to us. If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Issuer is a holding company with no operations and will be required to put in place internal controls over reporting.

The Issuer is a holding company, jointly controlled by the Sponsors, that was incorporated on September 10, 2018 for the purpose of facilitating the Transactions. The Issuer currently has no operations. Upon the consummation of the Transactions, the Issuer will be required to prepare consolidated financial statements and to establish internal controls over financial reporting procedures. Any failure to establish sound accounting processes and controls, or any inability to engage qualified personnel with sufficient experience, could result in an inability to fulfil reporting obligations, including under the Indenture and the Revolving Credit Facility Agreement.

Risks Related to Our Financial Information

The pro forma condensed combined financial and other information included herein does not necessarily reflect what our results will be going forward or would have been historically had the Transactions taken place as of a previous date and such information should be read in conjunction with the Consolidated Financial Statements.

This Offering Memorandum includes certain pro forma condensed combined financial information and certain key operating metrics reflecting the *pro forma* impact of the Transactions on our historical results even though we did not own or control the Targets for the periods presented. In particular, we include in this Offering Memorandum the Issuer's unaudited pro forma condensed combined financial information for the six months ended June 30, 2018 and 2017, for the year ended December 31, 2017 and for the twelve months ended June 30, 2018 to illustrate the effect of the Transactions (including the Acquisitions, the offering of the Notes hereof and the Refinancing) on our results of operation and financial conditions as if the Transactions had occurred at the beginning of the respective periods for any income statement related data and at the end of the period for any balance sheet related data.

The Issuer's unaudited pro forma condensed combined financial information has been derived from (i) the Issuer Financial Statements; (ii) the Flos, LP and B&B 2017 Consolidated Financial Statements; and (iii) the Flos, LP and B&B 2018 H1 Unaudited Consolidated Financial Statements but certain *pro forma* adjustments have been made thereto on the basis of, *inter alia*, financial information that has been made available to us in connection with the Acquisitions, together with our management's assumptions and estimates with respect to estimated effects of the Transactions on the combined Group. In addition, the Issuer's unaudited pro forma condensed combined financial information has been prepared on the basis of IFRS and, accordingly, certain adjustments have been made to the relevant financial statements of the Targets to take into account the different accounting principles that have been historically adopted by each Target (*i.e.* IFRS for Flos, Italian GAAP for B&B and Danish GAAP for Louis Poulsen). The Issuer's unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not purport to indicate what the performance of our Group would have been had the Transactions occurred on:

- January 1, 2017 for purposes of the income statement for the six months ended June 30, 2017 and for the year ended December 31, 2017;
- January 1, 2018 for purposes of the income statement for the six months ended June 30, 2018;
- June 30, 2018 for purposes of the statement of financial position; and
- July 1, 2017 for the purposes of the income statement for the twelve months ended June 30, 2018,

as applicable, nor is it intended to be a projection of our future results. Moreover, the Targets have historically been operated as separate entities and as such, their individual historical financial performance or the combination of their historical financial performance may not be indicative of their financial performance both on a standalone basis and within our Group. The Issuer's unaudited pro forma condensed combined financial information should not be considered in isolation or be used as a substitute for an analysis of the historical operating results of each of B&B, Flos and Louis Poulsen. For further information, see "*Presentation of Financial and Other Information—Unaudited Pro Forma Condensed Combined Financial Information*" and "*Unaudited Pro Forma Condensed Combined Financial Information*" and Annex C and Annex D.

The Pro Forma Condensed Combined Financial Information has not been prepared and shall not be construed to be in compliance with Regulation S-X under the U.S. Securities Act or the Prospectus Directive or any other regulations or the SEC or any other regulator and does not purport to project the future financial results of operations of the Group. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma condensed combined financial information have been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

Each of the Targets applies a different accounting standard using different recognition and measurement criteria and, as a result, their historical financial information and other financial information derived from their historical financial information is not directly comparable.

Each of the Targets applies a different accounting standard using different recognition and measurement criteria (IFRS for Flos, Danish GAAP for Louis Poulsen and Italian GAAP for B&B). As a result, their historical financial information, and other information derived from their historical financial information, is not directly comparable. In particular, the Target Group Synergized EBITDA, Target Group EBITDA, Target Group Adjusted EBITDA, Combined Cash Conversion, Aggregated LTM Revenue, Combined Reported EBITDA, Combined Total Revenues, Combined Capital Expenditure and Combined Net Working Capital figures presented in this Offering Memorandum have been calculated as a sum of the relevant financial measure of each of the Targets over the relevant period. As a result of the application of different accounting standards, these financial measures are inherently subject to risks and uncertainties, may not give an accurate or complete picture of our financial condition or results of operations, may differ materially from our actual results and should not be unduly relied upon when making an

investment decision. In addition, these measures are not comparable to any financial measures that have been derived from the Issuer's unaudited pro forma condensed combined financial information presented elsewhere in this Offering Memorandum.

These financial measures have not been subject to review or audit by auditors, consultants or experts. They are included in this Offering Memorandum because we believe that they provide useful indications of what the results of the combined Group would have been had the Transactions taken place as of the end of or prior to (as the case may be) the periods under discussion; however, this information does not constitute a measure of financial performance under IFRS or other generally accepted accounting principles, and you should not consider any of this information as an alternative to net income or any other performance measure derived in accordance with IFRS or other generally accepted accounting principles or as a measure of our results of operations or liquidity. In addition, the Target Historical Revenue Breakdowns presented elsewhere in this Offering Memorandum do not necessarily reflect the segments, divisions or channels on which the Group will report going forward. Accordingly, any reliance you place on this information should take this into consideration. In addition, we present in this Offering Memorandum certain current trading information, both for each Target individually and for the combined Group. See "*Summary—Recent Developments—Current Trading for the Nine Months Ended September 30, 2018*". This information is preliminary and is based on our and the management of each of the Targets' initial review of our results of operations and the results of operations of each of the Targets. None of our independent auditors, the Targets' independent auditors or any other independent auditors have audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein or for any other purposes and, accordingly, none of our independent auditors, the Targets' independent auditors or any other independent auditors have expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited current trading financial information does not take into account any circumstances or events occurring after the period to which it refers. The current trading information is based in part on estimates, which are based on the Targets' internal management accounts for the nine months ended September 30, 2018 and the nine respective months ended September 30, 2017, which are unaudited. In particular, the financial information set forth as current trading for each Target has not been prepared on the basis of Italian GAAP, IFRS or Danish GAAP, as applicable, and is not comparable with the corresponding financial information set forth elsewhere in this Offering Memorandum. The current trading information presented for the Group is based on the aggregation of the financial information of the three Targets and has not been prepared, reviewed or audited on the basis of any accounting principles. Actual results for our first reporting period following the issuance of the Notes may differ materially from the trends included as current trading and may not be indicative of our future results. The information set forth as current trading should not be regarded as an indication, forecast or representation regarding our financial results for the nine months ending September 30, 2018 or for the year ending December 31, 2018. You should therefore not place undue reliance on the current trading information.

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

Our Target Group Synergized EBITDA presented in this Offering Memorandum has not been subject to audit or review by our auditors, consultants or experts and the adjustments and assumptions that have been used to prepare it may prove to be inaccurate or may be affected by other factors that have not been accounted for. Target Group Synergized EBITDA is based on a number of assumptions and estimates, including estimates with respect to certain cost savings and revenue synergies that we expect to generate following the Transactions from initiatives that have not been initiated as of the date of this Offering Memorandum (see "*—Risks Related to Our Business—We may not be able to fully realize the Group's commercial and strategic*

vision"). These estimated savings and synergies are forward-looking by nature and therefore subject to a number of assumptions about the timing, execution and costs associated with implementing the underlying initiatives. Such assumptions are inherently uncertain and are subject to significant business, economic and competition factors which are difficult to predict and some of which are beyond our control, including:

- our ability to jointly operate three businesses that have historically been operated separately;
- our ability to re-negotiate contracts with each of Flos', Louis Poulsen's and B&B's agents, distributors, suppliers and other relevant parties;
- potential claims and litigation that might be initiated by our workforce or the unions to which our workforce belongs in connection with personnel rationalization initiatives; and
- other risk factors identified in this Offering Memorandum.

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

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

The Target Historical Revenue Breakdowns and the Group Aggregated LTM Revenue Breakdowns presented in this Offering Memorandum are based on each Target's management accounts and do not necessarily reflect the divisions or splits on which the Group expects to report or in which it expects to operate going forward.

We present in this Offering Memorandum certain operating and financial data for each of the Targets which classify historical revenue of each Target by product and geographical market and for the combined Group which classify Aggregated LTM Revenue by product category, sales channel, brand and geographical market. We have defined such information as the Target Historical Revenue Breakdowns and the Group Aggregated LTM Revenue Breakdowns, respectively. For information on the Target Historical Revenue Breakdowns, please see "*Summary Pro Forma and Historical Financial Information and Other Data—Historical Financial Information of Each Target—Flos Historical Financial Information—Other Flos Financial and Operating Data*", "*Summary Pro Forma and Historical Financial Information and Other Data—Historical Financial—Information of Each Target—LP Historical Financial Information—Other LP Financial and Operating Data*", and "*Summary Pro Forma and Historical Financial Information and Other Data—Historical Financial Information of Each Target—B&B Historical Financial Information—Other B&B Financial and Operating Data*".

The Target Historical Revenue Breakdowns are based on the methodology and information used by the respective management team of each of the Targets when each of the Targets operated as a separate business. They do not necessarily represent the divisions or splits on which we expect to operate as a single consolidated Group, nor are they necessarily representative of the business divisions of the combined Group in the future. Furthermore, the Target Historical Revenue Breakdowns are not consistent with the revenue breakdowns that we present for the twelve months ended June 30, 2018 as part of the illustrative presentation of the Group Aggregated LTM Revenue Breakdowns, which aim to present aggregated breakdowns per product, channel, geographical market that we believe illustrate certain important statistical and financial information relating to our revenues, assuming each of the Targets is part of a single integrated business with multiple divisions and sources of income. These Group Aggregated LTM Revenue Breakdowns should not be relied upon to present fairly the various product, channel, geographical market and other divisions of the business that we will maintain in the management of our Group in the future.

The financial information for Flos and B&B included in this Offering Memorandum reflect certain changes in the scope of consolidation during the periods under review. Accordingly, investors should exercise caution in comparing each of Flos' and B&B's financial information across the periods under review.

Flos' operating results and their comparability for the periods under review are also impacted by the effects of certain bolt-on acquisitions, particularly the acquisitions of Ares in June 2015, Lukas Lighting Inc. ("**Lukas Lighting**") in November 2015 and KKDC S.à r.l. (later renamed Flos Projets S.à r.l.) ("**Flos Projets**") in April 2017. Due to changes in the scope of consolidation as a result of these acquisitions, Flos' results of operations over the periods under review may not be entirely comparable. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Flos—Factors Affecting the Comparability of the Results of Operations of Flos—Add-on Acquisitions*".

The B&B historical financial information contained in this Offering Memorandum is that of B&B Italia S.p.A. and its consolidated subsidiaries. As the scope of B&B consolidation changed in 2015 in connection with the acquisition of B&B by Investindustrial, the B&B 2015 Consolidated Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the B&B group, B&B Italia S.p.A., which was extinguished and merged into its parent company Durini 14 S.p.A. (concurrently renamed B&B Italia S.p.A.) with an effective date of October 1, 2016. For information on the effects of such acquisition on B&B financial position and results, which mainly related to the increase in goodwill, indebtedness and the related interest expense, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—B&B—Factors Affecting the Comparability of the Results of Operations of B&B—The Investindustrial Acquisition of B&B*". Accordingly, investors should exercise caution in comparing B&B's financial information for 2015 and 2016.

In addition, B&B acquired a majority stake in Arclinea in September 2016, which represented B&B first entry into the high-end design kitchen industry. Due to the changes in B&B scope of consolidation in 2016 as a consequence of the Arclinea acquisition, B&B results of operations over the periods under review may not be entirely comparable. For the year ended December 31, 2017 and the twelve months ended June 30, 2018, Arclinea generated 9.4% and 8.4% of B&B revenue (as derived from its management accounts), respectively. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—B&B—Factors Affecting the Comparability of the Results of Operations of B&B—The Arclinea Acquisition*".

The financial information relating to B&B and Louis Poulsen used as the basis for discussion and analysis in this Offering Memorandum is unaudited and because B&B Consolidated Financial Statements and LP Consolidated Financial Statements are presented in a different way, prospective investors may find it difficult to make comparisons of B&B and Louis Poulsen results of operations.

In this Offering Memorandum, we discuss B&B's and Louis Poulsen's results of operations for the six months ended June 30, 2017 and 2018 and the years ended December 31, 2015, 2016 and 2017 based on income statements that are presented differently from those included in the B&B Consolidated Financial Statements and the LP Consolidated Financial Statements attached to this Offering Memorandum. In particular, throughout this Offering Memorandum, we have reclassified and renamed certain Italian GAAP and Danish GAAP line items of B&B's and Louis Poulsen's income statements, respectively, in order for the presentation to be in a format that is more typical for international investors. We believe this method of presentation allows a more effective representation of B&B's and Louis Poulsen's businesses and improves the comparability between B&B's and Louis Poulsen's results of operations and Flos' historical financial information contained herein. For an explanation of the key income statement items, see "*Management's discussion and analysis of financial condition and results of operations—B&B*" and "*Management's discussion and analysis of financial condition and results of operations—Louis Poulsen*". The unaudited reclassified and renamed line items presented herein for B&B and for Louis Poulsen differ from the corresponding line items contained in the B&B Consolidated Financial Statements and in the LP Consolidated Financial Statements attached to this Offering Memorandum. The B&B and Louis Poulsen financial information presented herein should not be considered in isolation or a substitute for analysis of B&B or Louis Poulsen operating results as reported in B&B Consolidated Financial Statements under Italian GAAP or in the LP Consolidated Financial Statements under Danish GAAP. Although we provide in Annex C and Annex D to this Offering Memorandum tables setting forth a reconciliation of B&B and Louis Poulsen reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements and the LP Consolidated Financial Statements for the periods under review, investors may find it difficult to compare the different sets of information.

The B&B Consolidated Financial Statements are based on Italian GAAP and the LP Consolidated Financial Statements are based on Danish GAAP, and there may be differences between B&B's financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP, and between Louis Poulsen's financial position and results of operations prepared in accordance with Danish GAAP and IFRS or U.S. GAAP. In addition, should B&B decide to adopt IFRS as its accounting reporting method, this could potentially result in material changes to certain of B&B's financial information from the B&B information presented in this Offering Memorandum.

The B&B Consolidated Financial Statements included in this Offering Memorandum are based on Italian GAAP and the LP Consolidated Financial Statements included in this Offering Memorandum are based on Danish GAAP, each of which differs in certain respects from IFRS and U.S. GAAP. We have not presented a reconciliation of the B&B Consolidated Financial Statements or the LP Consolidated Financial Statements to IFRS in this Offering Memorandum. Because there are differences between Italian GAAP and IFRS and between Danish GAAP and IFRS, there could be substantial differences in B&B's and Louis Poulsen's results of operations, cash flows and financial position, including levels of indebtedness, under IFRS. In addition, B&B may adopt IFRS in the near future, which could potentially result in changes to B&B results of operations, cash flows and financial position from the amounts presented in this Offering Memorandum. In such event, B&B would not be required to reconcile these changes. These changes could result from, among other things, the different possible approaches toward impairment under IFRS and the requirement to asses B&B's assets and goodwill for impairment as part of the conversion from Italian GAAP to IFRS. For a discussion of the material differences between IFRS and Italian GAAP and Danish GAAP, see Annex A and Annex B, respectively.

Risks Related to the Transactions

The Acquisitions are subject to significant uncertainties and risks.

On August 7, 2018, certain affiliates of Investindustrial, including Flos HoldCo, B&B HoldCo and LP LuxCo 2, and an affiliate of Carlyle entered into an investment agreement (the "**Investment Agreement**") setting forth the various steps towards the acquisition of B&B, Flos and Danish HoldCo (*i.e.* an entity that indirectly wholly owns Louis Poulsen) by a newly incorporated company (*i.e.* the Issuer) under common control of Investindustrial and Carlyle (the "**Sponsors**"). On September 11, 2018, the Issuer entered into the B&B Acquisition Agreement, the B&B Minorities Acquisition Agreement, the Flos Acquisition Agreement and the Flos Minorities Acquisition Agreement (collectively, the "**Acquisition Agreements**") with the Sellers, governing the sale and purchase of the portion of the share capital of Flos and B&B which will not be contributed into the Issuer by Investindustrial. For further information on the Investment Agreement and the Acquisition Agreements, see "*Summary—The Transactions—The Acquisitions*". The Issuer is beneficially owned by funds advised by Investindustrial and Carlyle and, as of the date of this Offering Memorandum, the Targets are indirectly owned by Investindustrial and certain minority shareholders. Concurrently with the consummation of the Acquisitions, the Targets will be directly wholly owned by the Issuer and the Issuer will be beneficially owned principally by funds advised by Investindustrial and Carlyle. The Issuer is a holding company formed in connection with the Acquisitions and will not control the Targets prior to the consummation of the Acquisitions.

As of the date of this Offering Memorandum, the consummation of the Investment Agreement, and by extension all transactions related thereto, including the Acquisitions, will depend, among other customary conditions, on the obtainment of unconditional clearances, approvals and consents from certain antitrust authorities, which include but are not limited to China's State Administration for Market Regulation. Such clearances may be provided past May 15, 2019 (the "**Escrow Longstop Date**"). In addition, even if we receive regulatory clearance to consummate the Acquisitions, such clearance may be subject to our implementing remedies such as sale of certain assets, which may be material. Accordingly, we may not be permitted to undertake the Acquisitions in a timely fashion, without remedies, or at all. Any such remedy may make the Acquisitions less attractive.

Completion of the Acquisitions following the release of the escrowed funds is one of the conditions to releasing the proceeds of the Offering from escrow. If the Acquisitions are not consummated on or prior to the Escrow Longstop Date for any reason and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, the Issuer will be required to redeem the Notes pursuant to a special mandatory redemption, and holders of the Notes may not obtain the investment return they expect on the Notes. The Issuer may also undertake a special mandatory redemption at any time if, in its reasonable judgment, the Acquisitions will not be consummated by the Escrow Longstop Date. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Issuer is beneficially owned by funds advised by Investindustrial and Carlyle and the Target Group is currently owned by funds advised by Investindustrial and, with respect to Flos and B&B, certain minority shareholders. Until completion of the Acquisitions, the Issuer will not obtain control of the Target Group.

The Target Group is currently owned by funds advised by Investindustrial and, with respect to Flos and B&B, certain minority shareholders. The Issuer will not obtain control of the Target Group until completion of the Acquisitions.

Investindustrial and the minority shareholders of Flos and B&B may not operate the business of the relevant Targets during the interim period in the same way that Investindustrial and Carlyle jointly would through the Issuer. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management of each Target, which could adversely affect their ability to operate their respective business. Likewise, other

employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

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

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

The gross proceeds from the offering of the Floating Rate Notes and the Fixed Rate Notes will be held in separate Escrow Accounts pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisitions do not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a special mandatory redemption as described in "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes. The escrow funds will be initially limited to the gross proceeds from the offering of the respective series of Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the respective series of Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the date of special mandatory redemption. In addition, negative interest may accrue on the sums deposited in the Escrow Accounts.

Under a shortfall agreement to be entered into on or about the Issue Date, Design Holding will agree with the Issuer to contribute to the Escrow Accounts an amount necessary to pay, subject to reasonable maximum cap, the special mandatory redemption price on the special mandatory redemption date, to the extent the amounts in the Escrow Accounts are insufficient. Design Holding is a holding company that as of the Issue Date will not have material assets other than the shares it holds in the Issuer and may not have adequate financial resources on the special mandatory redemption date to honor this obligation. In the event such agreements are not honored, the Issuer will not have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Acquisitions or the financing thereof, between the closing of the Offering and the Completion Date, will have no effect on your rights as a purchaser of the Notes.

Amendments made to the Investment Agreement and/or the Acquisition Agreements may have adverse consequences for holders of the Notes.

The Acquisitions are expected to be consummated in accordance with the terms of the Acquisition Agreements and the Investment Agreement. However, the Acquisition Agreements and/or the Investment Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreements and/or the Investment Agreement may make the Acquisitions less attractive. Any amendment made to the Acquisition Agreements and/or the Investment Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return the holders expect to receive on the Notes.

The Issuer may not be able to enforce claims relating to a breach of certain important representations and warranties that the Sellers have provided under the Acquisition Agreements.

In connection with the Acquisitions, the Sellers have given certain customary representations and warranties in the Acquisition Agreements and the Investment Agreement, as applicable, related to, among other things, their power and capacity to enter into such agreements, the ownership

of their respective shares being contributed into and/or sold to the Issuer, as applicable, the Targets and the Targets' businesses. However, the Sellers' indemnity obligations with respect to some of these representations and warranties, including a number of important representations and warranties regarding the Targets and their businesses, are for the benefit of certain affiliates of Carlyle and Investindustrial and not the Issuer. Accordingly, should the Issuer suffer any losses as a consequence of a breach of these representations and warranties by the Sellers, the Issuer would not be able to enforce any contractual claims against the Sellers.

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

The Acquisitions may constitute a change of control under certain agreements entered into by the Targets and their subsidiaries, in which case the counterparties to such agreements will be entitled to terminate their agreements with us. In addition, Investindustrial acquired LP and its subsidiaries in August 2018, and we cannot exclude that change of control clauses contained in certain contracts entered into by LP or its subsidiaries have also been triggered as a consequence of such acquisition. Some of these counterparties may exercise their termination rights, which could have an adverse effect on our business, financial position and results of operations.

Risks Related to Our Structure and the Financing

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

After completion of the Transactions, we will be highly leveraged and have significant debt service obligations. As of June 30, 2018, after giving pro forma effect to the Transactions, we would have had total third-party financial indebtedness outstanding in the amount of €731.8 million, including €720.0 million in aggregate principal amount of the Notes, and excluding €100.0 million available for drawing under our Revolving Credit Facility. Although we expect our Revolving Credit Facility to be undrawn on the Completion Date, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions. We anticipate that we will continue to be highly leveraged for the foreseeable future. See "*Capitalization*", "*Description of Certain Financing Arrangements*" and "*Description of Notes*".

The degree to which we will be leveraged following completion of the Transactions could have important consequences to holders of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes, the Revolving Credit Facility and other debt and liabilities we may incur;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payments in respect of our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, or other general corporate purposes;
- restricting us from pursuing acquisitions or exploiting business opportunities;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors;
- increasing our exposure to interest rate increases to the extent that our indebtedness bears a floating rate of interest;

- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings.

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

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancing or asset dispositions could be effected on a timely basis or satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

The Issuer is a holding company that has no revenue generating operations of its own and will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.

Prior to the Completion Date, the Issuer will not have any subsidiaries and will have no assets other than the Escrow Accounts into which the proceeds of the offering of the Notes will be deposited and which will be charged in favor of the Trustee on behalf of the holders of the Notes. Following the Acquisitions, the Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in the Targets and its receivables under the Target Proceeds Loans. The Issuer will be dependent upon the cash flow from its operating subsidiaries in the form of dividends, principal repayments under the Target Proceeds Loans or other distributions or payments to meet its obligations, including its obligations under the Notes, as we do not intend to merge the Issuer and any of the Targets. Given the Target Group's international operations, it has a large number of operating subsidiaries and business participations, which individually contribute to our results. The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law or otherwise transfer funds directly or indirectly to the Issuer. The Issuer's subsidiaries may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of its indebtedness, including the Notes.

Various agreements governing our debt may restrict and, in some cases may prohibit, the ability of these subsidiaries to move cash to the Issuer. Applicable tax laws may also subject such payments to further taxation. Applicable laws may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or prevent such payments. In particular, the ability of the Issuer's subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due. In addition, the aggregate amount of the Target Proceeds Loans is currently expected to be approximately €282.6 million, which is significantly lower than the aggregate principal amounts of the Notes, and we expect the Target Proceeds Loans to yield interest broadly in line with the interest accruing under the Notes. Accordingly, the ability of the Issuer to make payments under the Notes will largely depend on the ability of the Issuer's subsidiaries to pay dividends to the Issuer, which will be subject to the risks described above and could be inefficient from a tax perspective.

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

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

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

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

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

- incur or guarantee additional indebtedness or issue certain preferred stock;
- make certain restricted payments and investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- create or incur certain liens;
- make certain loans, investments or acquisitions;
- issue or sell share capital of certain of our subsidiaries;
- create or incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- take certain actions that would impair the security interests in the Collateral granted for the benefit of the holders of the Notes;
- merge, consolidate or transfer all or substantially all of our assets; and
- pay or redeem subordinated debt or repurchase equity.

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

In addition, the Revolving Credit Facility Agreement requires us to comply with certain affirmative covenants while the Revolving Credit Facility remains outstanding. Furthermore, under certain circumstances, the Revolving Credit Facility Agreement requires us to comply with a financial ratio while amounts exceeding a certain threshold remain outstanding under the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*". Our ability to meet the financial ratio under the Revolving Credit Facility

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

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

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

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, cost savings or efficiencies will be realized or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then outstanding amount under the Revolving Credit Facility. At the maturity of the Revolving Credit Facility, which matures six months before the Notes, the Notes or any other debt that we may incur, we may be required to refinance or restructure our indebtedness if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs.

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

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

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

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition,

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

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

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

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

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

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

benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Notes). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

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

We may enter into interest hedging arrangements to hedge our exposure to fluctuations in interest rates, including under the Floating Rate Notes and the Revolving Credit Facility. We may also enter currency hedging arrangements in respect of our international operations and our indebtedness, including the Notes and the Revolving Credit Facility. Under any such agreements, we would be exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements or other hedging arrangements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate such hedging agreements, we may be required to make termination payments, which would result in a loss.

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

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

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

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

The Issuer is beneficially owned by funds advised by Investindustrial and Carlyle. Concurrently with the consummation of the Acquisitions, the Targets will be directly wholly owned by the Issuer. As a result, the Sponsors jointly have, directly or indirectly, the power to affect our legal and capital structure as well as the ability to elect and change our management and to approve other changes to our operations and to influence the outcome of matters requiring action by our shareholders. The Sponsors' interests in certain circumstances may conflict with your interests as noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, the Sponsors could vote to cause us to incur additional indebtedness. In addition, the Sponsors have entered into a shareholders' agreement that provides for the governance rules of, *inter alia*, Design Holding and its subsidiaries. All significant actions to be taken by the Group will require approval of the board of directors of Design Holding, which approval must include the favorable vote of at least one director designated by Carlyle and one by Investindustrial. If a matter is not approved by the board of directors due to a deadlock that is not solved through the procedure set forth in the shareholders' agreement, the relevant resolution shall not be adopted. As a result, even when your interests are aligned with the interests of one of the Sponsors, the other Sponsor may disagree and be entitled to vote against a decision that would be in your interest. Any such deadlock, if not promptly resolved, could adversely affect our business. Moreover, the Sponsors are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us and/or that operate in our markets or adjacent ones. The Sponsors may also pursue

acquisition opportunities that are complementary to or in competition with our business and, as a result, those acquisition opportunities may not be available to us. In addition, the Sponsors may hold interests in suppliers or customers of the Targets. The Sponsors and their respective affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of our business or sales of our shares which would result in changes to our shareholding structure), financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes.

Certain of the Collateral will not secure the Notes until no later than 20 business days from the Completion Date and the Guarantors will not guarantee the Notes until no later than 90 days from the Completion Date.

The Post Completion Date Collateral will not be granted until no later than 20 business days from the Completion Date, as further described under "*Description of Notes—Security*". There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an "event of default" under the Indenture. The security interests will be limited to the same extent as those under the Revolving Credit Facility and otherwise as set forth under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*", which limitations could be significant. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*". It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to clawback provisions under applicable local insolvency laws. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

On the Issue Date, the Notes will only be obligations of the Issuer and will not be guaranteed by the Guarantors or any of their subsidiaries. Subject to the Agreed Security Principles, the Guarantors are expected to guarantee the Notes within 90 days from the Completion Date. However, under the Agreed Security Principles, certain members of the Target Group that will provide a guarantee under the Revolving Credit Facility may not be able to guarantee the Notes. See also "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Notes Guarantees and the Collateral may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral*" and "*—The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that are not, or do not become, Guarantors or to the liabilities of Guarantors to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by such Guarantors*". There can be no assurance that we will be successful in procuring such additional Notes Guarantees within the time period specified. The Notes Guarantees will be limited as set forth in "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

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

- the creditors of the Issuer and the Guarantors, including the holders of the Notes, will have no right to proceed against the assets of such non-guarantor subsidiary; and

- creditors of such non-guarantor subsidiary, including depositors, trade creditors and preferred stockholders (if any) will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Notes Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-guarantor subsidiaries of the Issuer. As of and for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes would have represented 39.2% of our revenue, 19.6% of our EBITDA and 18.0% of our total assets, each as calculated based on management accounts. As of June 30, 2018, after giving pro forma effect to the Transactions, the Guarantors would have had €5.1 million of financial indebtedness outstanding, all of which was secured, and the subsidiaries of the Issuer that will not guarantee the Notes would have had €6.7 million of financial indebtedness outstanding, none of which was secured. In addition, the Indenture will, subject to certain limitations, permit the guarantors and non-guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables in the ordinary course of business, that may be incurred by non-guarantor subsidiaries.

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

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

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

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

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

The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

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

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

Italian law limitations

As a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, each Notes Guarantee and security interest granted by each of Flos and B&B (the "**Italian Target Guarantors**") will be limited as follows:

(i) the Notes Guarantee and security interests granted by each of the Italian Target Guarantors will only guarantee and secure the Issuer's obligations under the relevant Tranche of the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including (i) with respect to Flos, the Flos Proceeds Loan, and (ii) with respect to B&B, the B&B Proceeds Loan) advanced from time to time to the relevant

Italian Target Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by such Italian Target Guarantor; provided further that no Italian Target Guarantor shall be liable as a Guarantor in respect of any amounts in excess of the amount that such Italian Target Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Target Guarantor under the relevant Notes Guarantee;

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

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

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

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

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

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

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

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

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

The abovementioned "virtual tranching" structure aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" in respect of, respectively, Flos and B&B and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it cannot be excluded that it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilised to support the acquisition or subscription by the Issuer of the share capital of, respectively, Flos and B&B. Should the Notes Guarantees granted by Flos and/or B&B be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantees could be declared null and void.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by a Guarantor incorporated under the laws of Italy to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

Danish law limitations

The Danish Companies Act (*selskabsloven*) contains restrictions on upstream guarantees and security by Danish limited companies. Generally, Danish companies and their Danish and foreign subsidiaries are prohibited from granting loans to and/or issuing guarantees or providing security in respect of obligations of, among others, their direct and indirect parent companies. However, Danish companies may grant loans to and/or issue guarantees or provide security in respect of

obligations of parent companies covered by Danish Executive Order No. 275 of March 25, 2010, which applies to any entity in the corporate form of (a) a public limited company (*aktieselskab*), (b) a limited partnership company *(partnerselskab*), (c) a private limited liability company (*anpartsselskab*) or (d) a company with an equivalent corporate form, incorporated in a jurisdiction which is a member of the EU (such as the Issuer, which is a joint stock company incorporated in Italy) or European Economic Area or Switzerland, Australia, Canada, Hong Kong, Japan, South Korea, Singapore, Taiwan or the U.S.

In addition, a Danish company is generally prohibited from granting loans and/or issue guarantees and/or provide security in connection with the financing (or refinancing) of the acquisition by any person or entity of shares in such Danish company or shares in its (direct and indirect) parent companies, and any such loan, guarantee or security will be invalid and unenforceable. As a portion of the proceeds from the Financing will be used to refinance the LP Existing Senior Facilities, incurred by Luminous Designs Denmark ApS to finance the acquisition of LP in August 2018, LP and its Subsidiaries will not be able to guarantee or provide security for the part of the Financing which is used to refinance the LP Existing Senior Facilities. Given that the Danish Companies Act does not include any detailed provision on the segregation of acquisition debt from other debt for the purpose of determining whether financial assistance has in fact been provided, the beneficiary, upon enforcement, may be required to evidence that enforcement proceeds are in fact applied in accordance with the Danish restrictions on financial assistance.

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

Given the aforementioned limitations under Danish law with respect to Danish financial assistance and corporate benefit, and with a view to minimising the risk of being challenged or set aside, the Notes Guarantees and security to be granted by a Danish Guarantor or security provider: (i) (other than Luminous Designs Denmark ApS) will not apply to any part of the Financing being used to refinance the LP Existing Senior Facilities, in order for such Notes Guarantees and security to comply with Danish statutory provisions on unlawful financial assistance; and (ii) shall in respect of upstream (and, if applicable, cross-stream) guarantees not exceed, among other things, a maximum equivalent to the greater of the equity *(egenkapital*) of the relevant Danish Guarantor (calculated in accordance with the approved accounting principles) (i) at the time of the granting of the Notes Guarantees or (ii) at the time payment is requested pursuant to the Notes Guarantees, in order for such Notes Guarantees and security to comply with the above corporate benefit concerns.

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

To the extent that any such debt constituting unlawful financial assistance cannot be separated from other debt, such other debt may be deemed unlawful financial assistance debt and any

loans, guarantees or security granted by Danish companies for such other debt may then also be invalid or unenforceable. According to the Danish Business Authority, the prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies. If loans, guarantees or security are granted in violation of the prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with statutory interests. The directors may be subject to liability for losses suffered in this regard.

Spanish law limitations

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

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

Other limitations pursuant to bankruptcy or insolvency laws

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

- the relevant Notes Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Notes Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Notes Guarantee was given;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Notes Guarantee or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Notes Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or

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

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

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

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

Finally, with respect Spanish Law, the Spanish Insolvency Act (as defined herein) imposes a moratorium on the enforcement of secured creditor's rights (*in rem* security) with security over rights or assets which are considered as necessary for the debtor's business in the event of insolvency, with certain exceptions (such as securities subject to Royal Decree 5/2005). The moratorium would take effect following the declaration of insolvency until the earlier of (i) one year from the declaration of the insolvency if the insolvent company has not been placed in liquidation or (ii) the date the creditors reach an agreement that does not affect the exercise of the rights granted by the security interest, with the limitations explained above. This moratorium only affects those assets that are considered as necessary for the debtor's activity. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

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

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

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

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

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

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

adverse effect on the ability to effect an enforcement or a distressed disposal and, in each case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or the Majority Super Senior Creditors on behalf of which the relevant instructing group is acting and the Security Agent shall act in accordance with the instructions first received.

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

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

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

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

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

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

The Notes will be secured only to the extent of the value of the Collateral. See "*Description of Notes—Security*". Not all of our assets secure the Notes, and the Indenture allows the Issuer and its restricted subsidiaries to secure certain future indebtedness permitted to be incurred with certain property and assets that do not secure the Notes. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Notes Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes. The claims of secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness. As of June 30, 2018, after giving pro forma effect to the Transactions, the Issuer and its subsidiaries would have had €5.1 million of indebtedness secured by assets that will not secure the Notes.

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

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

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

On the Completion Date, the Issuer will enter into the Target Proceeds Loans, the proceeds of which will be used by the Targets to repay certain Existing Debt and the intercompany receivables from which will constitute part of the Post Completion Date Collateral. Repayments of the Target Proceeds Loans prior to the maturity date of the Notes would result in a reduction in the liability owed by the Targets to the Issuer. The Target Proceeds Loans documentation, however, will prohibit the repayment, reduction, extinguishment or equitization of such Target Proceeds Loans, subject to certain exceptions. See "*Description of Certain Financing Agreements—Target Proceeds Loans*". Any reduction in the principal amount of the Target Proceeds Loans would reduce the value of such receivable, the Notes Guarantees and the Collateral.

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

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

The shares and other Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of the

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

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

The Indenture also permits the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties are secured by liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to such assets which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. In particular, security interests in the Collateral may be released if a lien is granted on the Collateral in favor of other indebtedness so long as such lien is a Permitted Lien (as defined under "*Description of Notes—Certain Definitions—Permitted Liens*"). Moreover, if we issue additional Notes under the Indenture, holders of such Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The Collateral and the Notes Guarantees will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral and the Notes Guarantees, as well as the ability of the Security Agent to realize or foreclose on such Collateral and the Notes Guarantees. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law. The granting of the Notes Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Notes Guarantees and security interests to secure the Notes and the Revolving Credit Facility may create hardening, clawback or voidance periods for such Notes Guarantees and security interests in certain jurisdictions, including Italy, Denmark and Spain. The granting of shared security interests, including in connection with any release and retake of such security interest, to secure existing, new or future indebtedness (such as hedging obligations or any additional notes issued under the Indenture) or the transfer or the assignment of the security interest may restart or reopen hardening or clawback periods in certain jurisdictions, including

Italy, Denmark and Spain. The applicable hardening, clawback or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void, ineffective, clawed back and/or it may not be possible to enforce it. Under Italian law, Danish law and Spanish law, in case any security interests (including security interests in the Collateral) is released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening period in respect of such security interests. Under certain circumstances, other creditors, bankruptcy trustees, insolvency administrators or courts could challenge the validity and enforceability of the grant of such security interests. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

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

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law. The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease. Furthermore, because the Indenture, the Notes, the Intercreditor Agreement and the security interests in the Collateral will be governed by the laws of a number of different jurisdictions, respective realization and enforcement may be further delayed by court proceedings being taken in multiple jurisdictions.

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

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

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

The Issuer is incorporated under the laws of Italy. Flos and B&B are also incorporated under the laws of Italy, Louis Poulsen A/S is incorporated under the laws of Denmark and Antares is incorporated under the laws of Spain; the Collateral includes the shares of certain of our subsidiaries incorporated under the laws of those jurisdictions and certain present and future intercompany loan receivables held by the Issuer and certain of its subsidiaries in respect of debtors in these jurisdictions. In the event of bankruptcy, insolvency, administration or a similar event, proceedings could be initiated in either of these jurisdictions. Your rights under the Notes, the Notes Guarantees and the Collateral are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral.

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

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

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

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

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken, including Italian, Danish and Spanish law, as applicable. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including the Republic of Italy and Spain). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will

provide for the creation of "parallel debt" obligations in favor of the relevant Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer and any Guarantor owed to holders of the Notes under or in connection with the Indenture, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy and Spain, these Parallel Debt provisions would not be applicable provided Italian and Spanish case law has not ruled for its application. All or part of the pledges and other security interests in such jurisdictions will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations (except for cases such as Spain where the Principal Obligations would be secured). Under the provisions of the Intercreditor Agreement, the Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, Danish law and Spanish law, and to the extent that the security interests in the Collateral created to secure the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

For example, in Italy the Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) of the holder of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantee by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

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

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors, even if such claims are secured claims. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

In Spain, the Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*en nombre y representación*) of the holder of the Notes. Notwithstanding the foregoing, if

enforcement of any security interest in Spain was to be carried out by the Security Agent, it may be necessary (i) that each of the secured parties benefiting from such Collateral proves its title to the secured obligations, ratifies such Collateral and accepts the benefit of the security interest in its respective names and (ii) to prove that the Security Agent is duly and expressly empowered by means of duly notarized powers of attorney granted in favor of the Security Agent by each of the actual or future creditors, if necessary, with the Apostille of The Hague Convention dated October 5, 1961. Therefore, there could be a delay in the enforcement of the Collateral in Spain while the Security Agent obtains such powers and the relevant public deeds are granted. In the absence of the notarized and apostilled powers of attorney, the Security Agent may not be able to enforce the relevant Collateral or security interests in Spain on behalf of the holders of the Notes, and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Further, those beneficial holders of the security who have not accepted the security or have not duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors. Further, there is a risk that the relevant court or notary public before whom any Spanish security interest may eventually be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

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

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

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

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest, the holder of the security interest having difficulty enforcing such holder's right in Collateral or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral, which may have a material adverse effect on the ability of the holders of the Notes to receive proceeds from any enforcement of the Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

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

A Danish court may find that a security interest in dividend rights in a Danish company granted pursuant to a share pledge agreement has not been perfected until the Security Agent has given notice to the relevant Danish company that the dividend pledged under the share pledge agreement may be paid to the Security Agent only. Should this be the case, the security interest in such dividend rights will be subject to voidance during a three months hardening period following perfection.

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

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

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

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

Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to

increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%. Furthermore, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is also untested in the Italian courts.

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

The Issuer is incorporated under the laws of Italy. There is a rebuttable presumption that the "centre of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings (the "**Insolvency Regulation**") is the jurisdiction where the registered office is situated. In addition, the Collateral will include a pledge over the shares of the Issuer and the Targets, companies which are incorporated under the laws of Italy, Denmark and Spain, as applicable, and pledges of certain present and future intercompany loan receivables. Denmark is not bound by or otherwise subject to the application of the Insolvency Regulation.

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

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

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

Danish insolvency law also includes a scheme for reconstruction of insolvent companies. In broad terms, this scheme provides for reconstruction of an insolvent company by transfer of the business in full or in part, by a compulsory composition/moratorium or by a combination of both.

During the reconstruction procedure, creditors are restricted in their ability to enforce the claims, however valid security may be enforced under certain conditions. In general, the provisions on avoidance and set off applicable in a bankruptcy also applies when reconstruction proceedings are commenced.

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

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

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

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

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

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

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

- issued such Notes Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others (and, in certain jurisdictions, even if the recipient was aware that the Guarantor or the collateral provider was insolvent when it granted the Notes Guarantee or security interest), or created such security after its insolvency;

- issued such Notes Guarantee or created such security interest in a situation where a prudent business person as a shareholder of such Guarantor or security provider would have contributed equity to such Guarantor or security provider or where the relevant beneficiary of the Notes Guarantee or security interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made;

- received less than reasonably equivalent value for incurring the debt represented by the Notes Guarantee or security interest on the basis that the Notes Guarantee or security interest were incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Notes Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due;

- the Notes Guarantee or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the Guarantor or collateral provider; or

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

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

- its liabilities exceed the fair market value of its assets;

- it cannot pay its debts as and when they become due; or

- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

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

Under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests granted to secure the Notes could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "*suspect period*"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the

insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the insolvency administrator must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*" for further information.

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

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

Under Spanish law the granting of securities is subject to the two year applicable claw-back regime for the case of an insolvency. Therefore, the insolvency trustee or receiver could challenge those transactions that could be deemed as being "detrimental" (*perjudiciales*) to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 71.7 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the ordinary regime of rescission set forth in the Spanish Civil Code). See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

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

Our right to receive payments under the Target Proceeds Loans may be subordinated by law to the obligations of other creditors.

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

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

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that Article 2467 also applies to companies incorporated as *società per azioni*, hence potentially to the Italian borrowers under the relevant Target Proceeds Loans (*i.e.* Flos and B&B).

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, it cannot be excluded that a court may find the requirements provided for by the relevant provisions of the Italian Civil Code to be applicable in respect of the Flos Proceeds Loan and/or the B&B Proceeds Loan borrowed by, respectively, Flos and B&B. Accordingly, an Italian court may conclude that Flos' and/or B&B's obligations under, respectively, the Flos Proceeds Loan and the B&B Proceeds Loan are subordinated to all their obligations to other creditors. Should any of Flos' and/or B&B's obligations under, respectively, the Flos Proceeds Loan and the B&B Proceeds Loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under, respectively, the Flos Proceeds Loan and the B&B Proceeds Loan to the relevant subsidiary, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes. Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees and/or security interest granted by such Italian subsidiaries (including the Guarantees provided by B&B and Flos) may be impaired or restricted.

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

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

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

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

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

Unlike the holders of the Notes themselves, owners of book entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book entry interests, if investors own book entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

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

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

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

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

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

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

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

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

The Issuer is organized or incorporated outside the United States, and its business is substantially conducted outside the United States. The directors and executive officers of the Issuer are non-residents of, and substantially all of their assets are located outside 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 the directors and executive officers of the Issuer. In addition, as substantially all

of the assets of the Issuer and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, actions of the Issuer may not be subject to the civil liability provisions of the federal securities laws of the United States.

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

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

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

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

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

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

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

The definition of "change of control" and the paragraph "Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets" in the Indenture will include (with certain exceptions) a

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

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

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

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

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company, modified with certain adjustments (*risultato operativo lordo della gestione caratteristica*) ("**ROL**") as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. If the tax group regime (*consolidato fiscale*) applies, interest expense not deducted by an entity in the Italian tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other Italian resident companies belonging to the same tax group. Our ability to deduct interest expense in respect of the Notes and other indebtedness incurred by companies within the Group will therefore depend on the ROL and our ability to have tax group arrangements. Any delay in the effectiveness of a tax group will impact the ability to deduct interest expense.

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

The Italian tax authorities have in certain instances challenged leveraged buyout ("**LBO**") transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. On March 30, 2016, the Italian Revenue Agency issued Circular Letter n. 6/E

(the "**Circular Letter**") clarifying, as a common principle, that interest on the acquisition bank loan in LBO transactions is generally deductible for IRES purposes, subject only to ordinary limitations stated in art. 96 Presidential Decree n.917 of December 22, 1986. In particular, the Italian Revenue Agency confirmed that LBO transactions are grounded on sound economic reasons, as the aim to acquire control over the target company and its structure (including the debt push down) is usually requested by third-party lenders. As a result of such guidance, LBO transactions are generally not considered suspect for tax purposes absent specific circumstances in which the tax authorities contend that the structuring of any such transaction was designed to obtain unlawful tax advantages in violation of the law or established legal principles (*e.g.* re-leveraged transactions without a change of control).

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

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

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

The Issuer is organized under the laws of Italy and is Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations.

All payments made by or on behalf of the Issuer in respect of the Notes will be made free and clear of Italian withholding tax, unless the withholding tax is required by law. In that event, subject to a number of exceptions, the Issuer may pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding tax been required.

The Issuer is not liable to pay any Additional Amounts to holders of the Notes under certain circumstances, including if any withholding tax is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree 461**"). In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes.

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

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

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

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

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

The regime provided by Decree 239, and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes and who are resident in a country which allows for a satisfactory exchange of information with the Italian tax authorities as contained as at the date of this Offering Memorandum in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, applies if certain procedural requirements are met. It is not possible to assure that the non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Taxation—Certain Italian Tax Considerations*".

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

Recent changes in U.S. federal income tax law could materially affect the tax consequences to U.S. holders of the purchase, ownership and disposition of the Notes.

All statements contained in this Offering Memorandum concerning the U.S. federal income tax (or other tax) consequences of the purchase, ownership and disposition of the Notes are based on existing law and interpretations thereof.

Recent changes in U.S. federal income tax law could materially affect the tax consequences to U.S. holders (as defined in "*Taxation—Certain United States Federal Income Tax Considerations*") of the purchase, ownership and disposition of the Notes. The effect of certain provisions of the new legislation is uncertain and future administrative guidance may result in additional changes. Accordingly, no assurance can be given that the currently anticipated tax treatment of the purchase, ownership and disposition of the Notes will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of a holder.

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

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

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

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

THE TRANSACTIONS

The Acquisitions

On June 22, 2018, an affiliate of Investindustrial entered into a share purchase agreement with the previous owners of LP pursuant to which it indirectly acquired 100% of the share capital of LP in August 2018 at which time €8.6 million in indebtedness was repaid and €100.5 million of new acquisition indebtedness of LP was incurred in connection with such acquisition (the repayment and incurrence of such debt being referred to as the "**Investindustrial LP Acquisition Adjustments**").

On August 7, 2018, certain affiliates of Investindustrial, including Flos HoldCo, B&B HoldCo and LP LuxCo 2 (collectively, the "**Investindustrial Entities**") and an affiliate of Carlyle entered into an investment agreement, as amended on September 11, 2018, (the "**Investment Agreement**") setting forth the various steps to be taken in connection with the acquisition of B&B, Flos and Danish HoldCo (*i.e.* an entity that indirectly wholly owns Louis Poulsen) by a newly incorporated company (*i.e.* the Issuer) which is under common control of the Sponsors. The Issuer is beneficially owned by funds advised by Investindustrial and Carlyle. At closing of the Acquisitions, the two Sponsors will indirectly own equal equity interests in the Targets, as further described below. Pursuant to the Investment Agreement, at or before closing of the Acquisitions: (i) an affiliate of Carlyle will make an equity contribution in cash indirectly into the Issuer; (ii) LP LuxCo 2, an affiliate of Investindustrial, will indirectly contribute the entire share capital of Danish HoldCo through a series of intermediate vehicles into the Issuer (the "**LP Acquisition**"); (iii) Flos HoldCo and B&B HoldCo will contribute, through a series of intermediate vehicles, a portion of Flos and B&B's share capital, respectively, into the Issuer, and (iv) the remaining portion of the shares of Flos and B&B will be acquired by the Issuer from (a) Flos HoldCo and B&B HoldCo pursuant to the Flos Majority Acquisition Agreement and the B&B Majority Acquisition Agreement, respectively, and (b) the Flos Minorities and the B&B Minorities pursuant to the Flos Minorities Acquisition Agreement and the B&B Minorities Acquisition Agreement, respectively, as further described below. As of the date of this Offering Memorandum, we estimate that the aggregate amount of the Sponsors' equity contribution into the Issuer, by a combination of cash and shares in the Targets, as applicable, will be equal to approximately €1,015.5 million, assuming the closing of the Acquisitions (the "**Completion Date**") will occur on or about December 31, 2018.

Pursuant to the provisions of the Investment Agreement, on September 11, 2018, the following acquisition agreements were entered into:

- the Issuer entered into a share purchase agreement (the "**B&B Majority Acquisition Agreement**") with, *inter alios*, B&B HoldCo, pursuant to which B&B HoldCo agreed to sell to the Issuer, and the Issuer agreed to purchase, B&B shares in an amount to be determined on or about the Completion Date (the "**B&B Majority Acquisition**") and that, taken together with the B&B shares that will be contributed into the Issuer by B&B Holdco in an amount to be determined on or about the Completion Date (the "**B&B Contribution**"), comprise 80.0% of the B&B share capital. The consideration for the B&B Majority Acquisition will consist of a base price plus an interest component, minus the amount of Leakages (as defined below), if any, as calculated in accordance with the terms and conditions of the B&B Majority Acquisition Agreement;

- the Issuer entered into a share purchase agreement with, *inter alios*, the B&B Minorities (the "**B&B Minorities Acquisition Agreement**"), pursuant to which the B&B Minorities agreed to sell to the Issuer, and the Issuer agreed to purchase their respective B&B shares, representing in the aggregate 20.0% of the B&B share capital (the "**B&B Minorities Acquisition**"). The consideration for the B&B Minorities Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, as calculated in accordance with the B&B Minorities Acquisition Agreement;

- the Issuer entered into a share purchase agreement (the "**Flos Majority Acquisition Agreement**") with, *inter alios*, Flos HoldCo, pursuant to which Flos HoldCo agreed to sell to the

Issuer, and the Issuer agreed to purchase, Flos shares in an amount to be determined on or about the Completion Date (the "**Flos Majority Acquisition**") and that, taken together with the Flos shares that will be contributed into the Issuer by Flos Holdco in an amount to be determined on or about the Completion Date (the "**Flos Contribution**"), comprises 77.39% of the Flos share capital. The consideration for the Flos Majority Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, as calculated in accordance with the terms and conditions of the Flos Majority Acquisition Agreement; and

- the Issuer entered into a share purchase agreement with, *inter alios*, the Flos Minorities (the "**Flos Minorities Acquisition Agreement**"), pursuant to which the Flos Minorities agreed to sell to the Issuer, and the Issuer agreed to purchase, directly or indirectly, their respective Flos shares, representing in the aggregate 22.61% of the Flos share capital (the "**Flos Minorities Acquisition**"). The consideration for the Flos Minorities Acquisition will consist of a base price, plus an interest component, minus the amount of Leakages, if any, calculated in accordance with the Flos Minorities Acquisition Agreement.

The B&B Majority Acquisition Agreement and the B&B Minorities Acquisition Agreement are collectively referred herein as the "**B&B Acquisition Agreements**". The Flos Majority Acquisition Agreement and the Flos Minorities Acquisition Agreement are collectively referred herein as the "**Flos Acquisition Agreements**". The B&B Acquisition Agreements and the Flos Acquisition Agreements are collectively referred herein as the "**Acquisition Agreements**". The B&B Majority Acquisition, the B&B Minorities Acquisition and the B&B Contribution are collectively referred herein as the "**B&B Acquisition**". The Flos Majority Acquisition, the Flos Minorities Acquisition and the Flos Contribution are collectively referred herein as the "**Flos Acquisition**". The LP Acquisition, the Flos Acquisition and the B&B Acquisition are collectively referred herein as the "**Acquisitions**".

The Acquisition Agreements and the transactions contemplated by the Investment Agreement are regarded as a single transaction and, as such, the consummation of the entire series of transactions is contingent upon the proper completion of each agreement and the satisfaction of certain conditions precedent which must take place on or before January 31, 2019 (the "**Long Stop Date**"). In particular, as of the date of this Offering Memorandum, the consummation of the Investment Agreement, and by extension all transactions related thereto, will depend on, among other customary conditions, the obtainment of unconditional clearances, approvals and consents from certain antitrust authorities. Although certain antitrust approvals have already been obtained, including those from the European Commission, received on October 9, 2018, and the U.S. Department of Justice and Federal Trade Commission, received on September 21, 2018, certain other antitrust approvals remain outstanding, including but not limited to China's State Administration for Market Regulation.

As mentioned above, the purchase price for each of the Acquisition Agreements includes an interest component, which accrues on the relevant base price for the period between June 30, 2018 (the "locked box" date) and the Completion Date, to compensate the sellers for additional cash generation in the business. As a result, the ultimate purchase price under each of the Acquisition Agreements will also be dependent on the timing of the Completion Date. In addition, the purchase price for each of the Acquisition Agreements will be reduced by the amount of leakages, being actions resulting in the loss of cash or other value from the relevant Target Group in favor of the relevant selling shareholder(s) or their related parties, such as the payment of any dividends, any other payments or disposals, assignments or transfer of assets or any payments made pursuant to any guarantee, indemnity or similar obligation, among other things, in each case to the extent not expressly permitted by the relevant acquisition agreement (collectively, the "**Leakages**").

Following the consummation of the Acquisitions, B&B, Flos and LP will be wholly-owned subsidiaries of the Issuer. We expect that a portion of the share capital of Design Holding, currently expected to be in the range of 5% to 10% of the share capital of Design Holding will be allocated for equity investments by certain members of the Group's senior management team.

The Sponsors expect to enter into investment agreements with those members of the Issuer's senior management team that make such investments indirectly in the equity of the Issuer. The Sponsors also expect that equity investments held indirectly in the Issuer by certain members of the Issuer's senior management team may carry voting rights. See "*—Corporate Structure and Certain Financing Arrangements*" and "*Principal Shareholders*".

The Refinancing

A portion of the cash proceeds from the offering of the Notes will be used to make the Target Proceeds Loans in order to repay substantially all of the Targets' existing external indebtedness in the amount of €331.1 million (excluding any accrued but unpaid interest thereon, prepayment and/or cancellation fees and/or redemption premia as well as €8.6 million in indebtedness that was repaid in connection with the acquisition of LP by Investindustrial in August 2018) expected to be outstanding as of the estimated Completion Date, assuming the Completion Date occurs on or about December 31, 2018, comprising:

- €123.1 million owed by Flos under the Flos Existing Senior Facilities Agreement, to be repaid with the funds available under Tranche B (as defined under "*Use of Proceeds*") under the Notes (via the Flos Proceeds Loan) and cash available on Flos' balance sheet;
- €107.5 million owed by B&B under the B&B Existing Senior Facilities Agreement , to be repaid with the funds available under Tranche C (as defined under "*Use of Proceeds*") under the Notes (via the B&B Proceeds Loan) and cash available on B&B's balance sheet; and
- DKK 750 million (€100.5 million) owed by Luminous Designs Denmark ApS under the LP Existing Senior Facilities Agreement, to be repaid with the funds available under Tranche D (as defined under "*Use of Proceeds*") under the Notes (via the LP Proceeds Loans) and cash available on LP's balance sheet.

We refer to this debt to be repaid, collectively, as the "**Refinanced Debt**" and the repayment of the Refinanced Debt with the proceeds from the Target Proceeds Loans and with certain available cash at Flos, LP and B&B as the "**Refinancing**". The collateral securing the Refinanced Debt will be released concurrently with the Refinancing.

On or about the Issue Date, the Issuer, as borrower, will enter into the Revolving Credit Facility Agreement which provides for the €100.0 million Revolving Credit Facility. If the amounts of debt outstanding under our Refinanced Debt on the Completion Date exceed the amounts set forth above and in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions.

The Financing of the Acquisitions

We expect to finance the Acquisitions through:

(i) the indirect cash and in kind equity investments for an amount of €1,015.5 million expected to be made by the Sponsors, which will be contributed through intermediate holding companies to the Issuer on or about the Completion Date (collectively, the "**Equity Contribution**"); and

(ii) a portion of the proceeds from the offering of the Notes by the Issuer in an aggregate principal amount of €720.0 million.

In particular, the proceeds from the financing described above (collectively, the "**Financing**") will be used to:

- fund the consideration payable under the Acquisition Agreements by using the Equity Contribution and Tranche A (as defined under "*Use of Proceeds*") under the Notes;

- fund, together with certain cash available on Flos', LP's and B&B's balance sheets, the Refinancing by using, respectively, Tranche B, Tranche C and Tranche D under the Notes, as described under "*—Refinancing*" above; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the offering of the Notes, and make a one-off payment to senior management of Flos and B&B, by using the Tranche A under the Notes.

We refer to the incorporation of the Issuer, the Acquisitions, the Financing, the Refinancing, the entry into the Revolving Credit Facility Agreement and any actions or steps related thereto, collectively, as the "**Transactions**". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Acquisitions and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. See "*Use of Proceeds*", "*Capitalization*", and "*Description of Notes*".

Escrow Accounts

Pending consummation of the Acquisitions, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the offering of the Fixed Rate Notes and the Floating Rate Notes into the relevant Escrow Accounts, each in the name of the Issuer. The Escrow Accounts will be controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the relevant series of Notes. The release of the escrowed proceeds from the Escrow Accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisitions pursuant to the terms of the Investment Agreement and the relevant Acquisition Agreement promptly following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to May 15, 2019, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest from the Issue Date to but excluding such special mandatory redemption date and additional amounts, if any. See *"Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*".

USE OF PROCEEDS

We estimate that the gross proceeds of the offering of the Notes will be €720.0 million. Pending the consummation of the Acquisitions, the gross proceeds of the Fixed Rate Notes and the Floating Rate Notes will be deposited into two escrow accounts held in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the relevant holders of the Notes.

Upon satisfaction of the conditions to the release of the amounts deposited in the Escrow Accounts, the gross proceeds from the offering of the Notes will be used, together with the Equity Contribution, to (i) pay the purchase price for the Acquisitions under the Acquisition Agreements, (ii) refinance the Existing Senior Facilities, and (iii) pay related fees and expenses and make a one-off payment to senior management of Flos and B&B.

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from estimated amounts at the time of the consummation of the Acquisitions, depending on several factors, including differences from our estimate of cash generated and available for use by the Targets until the estimated Completion Date, fees and expenses and the timing of the Completion Date. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*".

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby	720.0	Equity value[3]	1,399.3
Equity Contribution[1]	1,015.5	Repayment of Refinanced Debt[4] . . .	339.7
Cash on balance sheet of the Targets[2]	81.1	Estimated transaction fees, expenses and other payments[5]	77.6
Total sources	**1,816.6**	**Total uses**	**1,816.6**

(1) Represents the cash and equity investment expected to be made by the Sponsors (including the B&B Contribution, the Flos Contribution and the LP Acquisition) and certain senior management of the Group which will be contributed through intermediate holding companies to the Issuer on or about the Completion Date. Assuming that 5% of the share capital of Design Holding will be allocated for equity investments by management, the equity contribution is expected to comprise cash contributions of approximately €482 million from Carlyle, equity contributions of approximately €482 million from Investindustrial (of which approximately €282 million will comprise amounts rolled over from Investindustrial V L.P. and approximately €200 million will comprise amounts contributed from Investindustrial VI L.P.) and cash contributions of approximately €51 million from certain senior management of the Group. For further information, see "*Summary—Corporate Structure and Certain Financing Arrangements*" and "*Principal Shareholders*".

(2) We expect to use certain available cash on balance sheet of each of the Targets to repay a portion of the Existing Senior Facilities. The amount shown in the table represents an estimate and the actual amount might change depending on a number of factors, including the actual Completion Date and the amount of cash generated and not utilized by the Targets between June 30, 2018 and the Completion Date.

(3) Represents the estimated total fair market value of the equity of the Group, based on the assumption that the Acquisitions are consummated on or about December 31, 2018, to be partially funded with the proceeds under tranche A of the Notes ("**Tranche A**"), which, in aggregate, is expected to be equal to approximately €437.4 million. The total value of the equity of the Group at the Completion Date may differ due to a number of factors, including the accrual of the interest component under the Acquisition Agreements to the actual Completion Date and the potential occurrence of certain Leakages. See "*Risk Factors—Risks Related to the Transactions*". See also "*The Transactions*" and "*Capitalization*".

(4) Represents the following amounts outstanding as of June 30, 2018: (i) €123.1 million owed by Flos under the Flos Existing Senior Facilities Agreement, to be repaid (a) via the Flos Proceeds Loan with the funds available under tranche B under the Notes ("**Tranche B**") for an amount of approximately €113.2 million and (b) with cash available on Flos' balance sheet for an amount of approximately €9.9 million, (ii) €107.5 million owed by B&B under the B&B Existing Senior Facilities Agreement, to be repaid (a) via the B&B Proceeds Loan with the funds available under tranche C under the Notes ("**Tranche C**") for an amount of approximately €73.3 million and (b) with cash available on B&B's balance sheet for an amount of approximately €34.2 million, (iii) €100.5 million (DKK 750 million) owed by Luminous Designs Denmark ApS under the LP Existing Senior Facilities Agreement, to be repaid (a) via the LP Proceeds Loans with the funds available under tranche D under the Notes ("**Tranche D**") for an amount of approximately €96.1 million and (b) with cash available on LP's balance sheet for an amount of approximately €4.4 million, and (iv) €8.6 million of indebtedness at Louis Poulsen that was entirely repaid in August 2018 in connection with Investindustrial's acquisition of LP. For information on Tranche A, Tranche B, Tranche C and Tranche D, see "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*". For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds being used to consummate the Acquisitions and the various elements of the Refinancing, respectively, and will not entail issuing separate identifiers (ISINs or common codes) for each such tranche. Amounts shown do not include accrued but unpaid interest under the Existing Senior Facilities.

(5) Represents: (i) €45.0 million of estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses to be partially

funded with the proceeds of the Notes under Tranche A; and (ii) a one-off payment that Flos and B&B expect to make upon completion of the Acquisitions to certain of their senior management, in the amount of €18.3 million for Flos management and €14.3 million for B&B management.

On or about the Issue Date, the Issuer, as borrower, will enter into the Revolving Credit Facility Agreement, which provides for the €100.0 million Revolving Credit Facility. We expect that the Revolving Credit Facility will be undrawn on the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*".

CAPITALIZATION

The Issuer was incorporated on September 10, 2018 for the purpose of facilitating the Transactions.

The following table sets forth the cash and cash equivalents and the capitalization as of June 30, 2018, of (i) each of the three Targets, (ii) the Target Group, representing the sum of the cash and cash equivalents and capitalization of the three Targets and (iii) the Target Group, as adjusted on a pro forma basis to give effect to the acquisition of Louis Poulsen by Investindustrial in August 2018 and the Transactions, including the offering of the Notes and the application of the proceeds thereof.

We have prepared the information presented in the "As Adjusted" column for illustrative purposes only. Such information is hypothetical and based on pro forma adjustments and assumptions related to the Transactions and, therefore, does not represent our actual financial position or results. Consequently, such information may not be indicative of our total capitalization as of the date of this Offering Memorandum, or any other prior date. Investors are cautioned not to place undue reliance on this hypothetical information. 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*", the B&B 2018 H1 Unaudited Consolidated Financial Statements, the Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, the LP 2018 H1 Unaudited Consolidated Financial Statements, and accompanying notes thereto, and the Issuer's Unaudited Pro Forma Condensed Combined Financial Information included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2018.

	As of June 30, 2018						
	Flos	Louis Poulsen	B&B	Target Group[1]	Investindustrial LP Acquisition Adjustments[2]	Adjustments for the Transactions	As Adjusted
Cash and cash equivalents[3]	**28.2**	**4.4**	**48.5**	**81.1**	—	**(81.1)**	—
Existing Senior Facilities[4]	123.1	—	107.5	230.6	100.5	(331.1)	—
Notes offered hereby[5]	—	—	—	—		720.0	720.0
Revolving Credit Facility[6]	—	—	—	—		—	—
Other financial liabilities[7]	7.3	8.6	4.5	20.4	(8.6)	—	11.8
Total financial liabilities	**130.4**	**8.6**	**112.0**	**251.0**	**91.9**	**388.9**	**731.8**
Total shareholders' equity[8]	440.4	50.9	194.1	685.4		330.1	1,015.5
Total capitalization	**570.8**	**59.5**	**306.1**	**936.4**	**91.9**	**719.0**	**1,747.3**

(1) The figures in the Target Group column represent the sum of the corresponding figures from the Flos', Louis Poulsen's and B&B's columns.

(2) Investindustrial acquired LP in August 2018. The adjustments reflect (i) €100.5 million (DKK 750 million) of indebtedness incurred by Luminous Designs Denmark ApS under the LP Existing Senior Facility, and (ii) the repayment of €8.6 million of previously existing indebtedness, in each case in connection with such acquisition.

(3) The adjustments to Cash and cash equivalents mainly reflect: (i) the cash portion of the Equity Contribution contributed into the Issuer, (ii) the payment of the estimated considerations for the Acquisitions to the Sellers, (iii) the gross proceeds from the offering of the Notes of €720.0 million, (iv) the estimated cash absorbed by the Refinancing of €331.1 million (see "*Use of Proceeds*"), (v) the estimated fees and other expenses related to the Transactions (€45.0 million), and (vi) the expected payment of compensation by Flos of €18.3 million and by B&B of €14.3 million to be made to their respective senior management upon completion of the Acquisitions, in each case as if the Transactions had occurred on June 30, 2018. Our cash and cash equivalents as of the estimated Completion Date might deviate, also materially, from our estimates due to a number of factors, including the actual Completion Date and the amount of cash generated and not utilized by the Targets between June 30, 2018 and the Completion Date.

(4) Reflects the aggregate principal outstanding amounts under the B&B Existing Senior Facility (of which, as of June 30, 2018, €1.6 million was drawn under the revolving line of such facility) and the Flos Existing Senior Facility. We intend to repay in full the B&B Existing Senior Facility and the Flos Senior Existing Facility with a portion of the proceeds from the offering of the Notes. Amounts shown do not include unamortized debt issuance costs, accrued interest and the negative fair value on the relevant hedging derivative instruments. In particular, with respect to Flos: (a) unamortized debt issuance costs and

accrued interest were €2.7 million in aggregate and (b) the negative fair value on the hedging derivative instrument was €1.4 million. In addition, with respect to Louis Poulsen, amounts shown in the historical June 30, 2018 column do not reflect the indebtedness of €100.5 million (DKK 750 million) incurred by Luminous Designs Denmark ApS under the LP Existing Senior Facility in August 2018 in connection with Investindustrial's acquisition of LP, which amounts will be repaid in full with a portion of the proceeds from the offering of the Notes as part of the Refinancing.

(5) The Notes have been presented in the table at their aggregate principal amount of €720.0 million, without including debt issuance costs estimated to be approximately €35.0 million, which will be accounted for as a reduction of the carrying value of the Notes in the Issuer's financial statements and amortized over the term of the Notes.

(6) Represents the €100.0 million senior secured revolving credit facility established under the Revolving Credit Facility Agreement. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*". We expect the Revolving Credit Facility to be undrawn on the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions.

(7) Represents the aggregate amount outstanding as of June 30, 2018 under (i) as to Flos, a secured financial leasing of a facility in Spain (for €5.1 million), dividends payable to minority shareholders of one of Flos' subsidiaries (for €0.6 million), certain local and short term unsecured uncommitted credit facilities (for €0.1 million), and €1.5 million related to the present value of the payment obligation of the deferred price in connection with the acquisition of Lukas Lighting in 2015 and Flos Projets in 2017 (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Flos—Factors Affecting the Comparability of the Results of Operations of Flos*"); (ii) as to B&B, primarily local and short term unsecured uncommitted credit facilities that may be repaid and re-drawn from time to time; and (iii) as to Louis Poulsen, certain financial indebtedness that was entirely repaid in connection with the acquisition of Louis Poulsen by Investindustrial in August 2018, as shown in the Investindustrial LP Acquisition Adjustments column. We expect such debt of Flos and B&B to remain outstanding immediately following the Transactions, as shown in the As Adjusted column. Such amount could change from our current expectation due to a number of factors, including the actual Completion Date and working capital movements.

(8) Does not include estimated fees and expenses related to the Acquisitions of €10.0 million.

SELECTED HISTORICAL FINANCIAL INFORMATION

Flos Historical Financial Information

Flos Summary Consolidated Income Statements

IFRS in € million	Year ended December 31, 2015	2016	2017	Six months ended June 30, 2017	2018	Twelve months ended June 30, 2018[2]
Revenues	178.6	206.8	212.6	105.0	107.9	215.5
Other revenues and income	2.3	3.0	3.8	1.4	1.5	3.9
Total revenues	**180.9**	**209.8**	**216.4**	**106.4**	**109.4**	**219.4**
Purchases of raw materials and variation in inventories	(53.5)	(62.6)	(63.9)	(32.6)	(32.1)	(63.4)
Personnel costs	(27.1)	(33.1)[1]	(35.5)	(17.1)	(18.5)	(36.9)
Service costs	(50.1)	(54.7)[1]	(56.7)	(29.1)	(31.3)	(58.9)
Provisions	(1.3)	(1.5)	(1.1)	(0.6)	(0.6)	(1.1)
Other costs and charges	(5.0)	(5.4)	(5.6)	(2.7)	(2.8)	(5.7)
Total costs	**(137.0)**	**(157.3)**	**(162.8)**	**(82.1)**	**(85.3)**	**(166.0)**
Amortization, depreciation and write-downs	(7.5)	(8.1)	(8.8)	(4.3)	(4.3)	(8.8)
Earnings before interest and taxes (EBIT)	**36.4**	**44.4**	**44.8**	**20.0**	**19.8**	**44.6**
Financial income	1.0	0.9	0.6	0.3	0.5	0.8
Financial charges	(12.9)	(14.1)	(12.9)	(6.3)	(5.4)	(12.0)
Profit before tax coming from continuing operations	**24.5**	**31.2**	**32.5**	**14.0**	**14.9**	**33.4**
Income taxes	(3.0)	(6.7)	(9.0)	(4.4)	(3.7)	(8.3)
Net profit of discontinued operations	0.1	—	—	—	—	—
Net profit for the year	**21.6**	**24.5**	**23.5**	**9.6**	**11.2**	**25.1**
Profit for the year, pertaining to minority interest	1.6	1.8	1.5	0.8	0.7	1.4
Profit for the year, pertaining to the shareholders of the group	20.0	22.7	22.0	8.8	10.5	23.7

(1) Personnel costs and Service costs for the year ended December 31, 2016 presented in this table are derived from the 2016 comparative income statement contained in Flos 2017 Consolidated Financial Statements and differ from Personnel costs and Service costs presented in Flos 2016 Consolidated Financial Statements (€31.6 million and €56.2 million, respectively). These have been reclassified in the table above as a result of a different accounting treatment of salary payments to certain employees of Lukas Lighting Inc., which Flos acquired in November 2015.

(2) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

Flos Summary Consolidated Statements of Financial Position

IFRS in € million	As of December 31, 2015	2016	2017	As of June 30, 2018
Assets				
Non-current assets				
Intangible fixed assets				
— *Goodwill*	353.8	353.8	354.9	354.9
— *Other intangible fixed assets*	148.7	148.3	148.4	148.5
Property, plant and machinery	57.4	57.4	55.8	56.1
Deferred tax assets	3.4	4.0	4.0	4.4
Non-current financial assets	0.6	0.6	0.6	0.6
Other non-current assets	0.6	0.6	0.7	0.6
Total Non-current assets	**564.5**	**564.7**	**564.4**	**565.1**
Current assets				
Inventories	25.9	28.5	28.8	33.4
Trade receivables	32.2	33.9	35.2	33.6
Tax assets and other current assets				
Tax credit and due from tax authorities	4.1	4.4	3.4	2.5
Other assets	1.3	1.4	1.8	1.5
Current financial assets	0.1	—	0.1	—
Cash and cash equivalents and deposits	37.9	30.8	29.7	28.2
Total current assets	**101.5**	**99.0**	**99.0**	**99.2**
Assets held for disposal	0.3	0.3	0.3	0.3
Total assets	**666.3**	**664.0**	**663.7**	**664.6**
Equity and Liabilities				
Shareholders' Equity				
Share Capital	1.9	1.9	1.9	1.9
Other reserves	375.6	377.6	400.0	422.3
Reserve for actuarial gains and losses	(0.2)	(0.2)	(0.2)	(0.2)
Cash Flow Hedge reserve	—	(1.6)	(1.0)	(1.0)
FTA reserve	3.3	3.3	3.3	3.3
Carried forward Profit/Losses	(18.2)	—	—	—
Profit for the year/period	20.0	22.6	22.0	10.5
Total group shareholders' equity	**382.4**	**403.6**	**426.0**	**436.8**
Minority shareholders' equity	3.5	3.7	2.9	2.9
Profit/(loss) attributable to minority interest	1.6	1.8	1.5	0.7
Total shareholders' equity	**387.5**	**409.1**	**430.4**	**440.4**
Non-current liabilities				
Defined benefit plans	2.9	2.8	2.9	2.7
Provisions for contingencies and other charges	2.0	3.0	3.6	4.3
Non-current financial liabilities	187.3	161.0	138.1	126.5
Deferred taxes	41.5	41.1	41.1	41.2
Other non-current liabilities	0.1	0.1	0.1	—
Total non-current liabilities	**233.8**	**208.0**	**185.8**	**174.7**
Current liabilities				
Current financial liabilities	6.3	7.6	2.1	2.6
Trade payables	27.4	27.7	33.6	35.3
Tax payables and other current liabilities				
Tax payables and due to tax authorities	2.2	2.2	2.7	2.5
Due to social security institutions	1.2	1.3	1.7	1.2
Due to personnel and other payables	7.9	8.1	7.4	7.9
Total current liabilities	**45.0**	**46.9**	**47.5**	**49.5**
Total liabilities	**278.8**	**254.9**	**233.3**	**224.2**
Total shareholders' equity and liabilities	**666.3**	**664.0**	**663.7**	**664.6**

Flos Summary Cash Flow Statements

IFRS in € million	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2015	2016	2017	2017	2018	2018[1]
Net cash and cash equivalents at beginning of the period	**43.9**	**37.9**	**30.8**	**30.8**	**29.7**	**21.3**
Net profit for the year/period	**21.6**	**24.5**	**23.5**	**9.6**	**11.2**	**25.1**
Net cash flows from operations	19.6	16.4	26.3	8.8	9.2	26.7
Net cash flows from / (used in) investing activities	(67.6)	(7.1)	(7.1)	(4.0)	(4.5)	(7.6)
Cash flow from / (used in) financing activities	20.4	(40.9)	(43.8)	(23.9)	(17.4)	(37.3)
Net cash and cash equivalents at end of the period	**37.9**	**30.8**	**29.7**	**21.3**	**28.2**	**28.2**

(1) The historical unaudited financial information for the twelve months ended June 30, 2018 relating to each of the Targets presented in this Offering Memorandum is based on the Targets' respective consolidated financial statements and is calculated by adding the results of operations of the relevant Target for the six months ended June 30, 2018 and for the full year ended December 31, 2017 and subtracting from the total the results of operations of the relevant Target for the six months ended June 30, 2017. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared by the Targets in the ordinary course of their financial reporting and has not been audited or reviewed.

LP Historical Financial Information

LP Summary Consolidated Income Statement Information[1]

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[2]	
	in DKK million			in € million	in DKK million		in DKK million	in € million
Revenues	716	750	801	107.7	377	370	794	106.7
Other revenues and income	—	1	—	—	—	—	—	—
Total revenues	**716**	**751**	**801**	**107.7**	**377**	**370**	**794**	**106.7**
Purchases of raw materials and variation in inventories	(272)	(274)	(262)	(35.2)	(124)	(113)	(251)	(33.7)
Personnel costs	(239)	(232)	(247)	(33.2)	(123)	(121)	(245)	(32.9)
Service costs	(120)	(135)	(140)	(18.8)	(73)	(69)	(136)	(18.3)
Provisions	(10)	(6)	(4)	(0.5)	(3)	(2)	(3)	(0.4)
Other costs and charges	—	—	—	—	—	—	—	—
Total costs	**(641)**	**(647)**	**(653)**	**(87.7)**	**(323)**	**(305)**	**(635)**	**(85.3)**
Amortization, depreciation and write-downs	(42)	(42)	(50)	(6.7)	(24)	(25)	(51)	(6.9)
Earnings before interest and taxes (EBIT)	**33**	**62**	**98**	**13.2**	**30**	**40**	**108**	**14.5**
Financial income	—	1	13	1.7	3	—	10	1.3
Financial charges	(11)	(21)	(6)	(0.8)	—	—	(6)	(0.8)
Profit/(loss) before tax coming from continuing operations	**22**	**42**	**105**	**14.1**	**33**	**40**	**112**	**15.0**
Income taxes	(9)	(15)	(27)	(3.6)	(10)	(12)	(29)	(3.9)
Net profit/(loss) for the year	**13**	**27**	**78**	**10.5**	**23**	**28**	**83**	**11.1**
Profit/(loss) for the year, pertaining to minority interest	(4)	(8)	(24)	(3.2)	(7)	(9)	(26)	(3.5)
Profit/(loss) for the year, pertaining to the group	9	19	54	7.3	16	19	57	7.7

(1) The information set out in this table and the following table setting forth the LP Summary Consolidated Statement of Financial Position is derived from LP Consolidated Financial Statements but has been reclassified in order for the presentation to be in a format that is more typical for international investors. For more information, see "*Presentation of Financial and Other Information—LP*" and *Annex D*.

(2) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

LP Summary Consolidated Statement of Financial Position

Danish GAAP	As of December 31, 2015	2016	2017	2017	As of June 30, 2017	2018
	in DKK million			in € million	in DKK million	
Assets						
Non-current assets						
—Goodwill	233	221	209	28.1	215	202
—Other intangible fixed assets	163	160	158	21.2	155	160
Property, plant and machinery	42	45	55	7.4	53	54
Deferred tax assets	20	17	11	1.5	16	11
Non-current financial assets	4	4	4	0.5	4	5
Other non-current assets	16	16	20	2.7	18	20
Total non-current assets	**478**	**463**	**457**	**61.4**	**461**	**452**
Current assets						
Inventories	77	68	86	11.5	81	87
Trade receivables	87	75	70	9.4	62	65
Other assets	15	15	18	2.4	15	14
Cash and cash equivalents and deposits	42	51	54	7.3	25	33
Total current assets	**221**	**209**	**228**	**30.6**	**183**	**199**
Assets held for disposal	—	—	—	—	—	—
Total assets	**699**	**672**	**685**	**92.0**	**644**	**651**
Equity and Liabilities						
Equity						
Share Capital	17	17	17	2.3	17	17
Retained Earnings	154	176	224	30.1	192	243
Total shareholders' equity	**171**	**193**	**241**	**32.4**	**209**	**260**
Minority shareholders' equity	77	86	111	14.9	93	120
Total shareholders' equity	**248**	**279**	**352**	**47.3**	**302**	**380**
Non-current liabilities						
Defined benefit plans	4	5	5	0.7	5	6
Provisions for contingencies and other charges	9	8	4	0.5	8	3
Non-current liabilities to companies of the group	—	—	—	—	—	—
Non-current financial liabilities	191	—	—	—	—	—
Deferred taxes	39	38	37	5.0	38	37
Other non-current liabilities	11	9	8	1.1	9	7
Total non-current liabilities	**254**	**60**	**54**	**7.3**	**60**	**53**
Current liabilities						
Current financial liabilities	37	174	88	11.8	118	64
Trade payables	83	87	104	14.0	87	72
Current liabilities to companies of the Group	—	—	2	—	—	2
Tax payables and other current liabilities						
Tax payables and due to tax authorities	12	12	19	2.6	13	20
Due to personnel and other payables	65	60	66	9.0	64	60
Total current liabilities	**197**	**333**	**279**	**37.4**	**282**	**218**
Total liabilities	**451**	**393**	**333**	**44.6**	**342**	**271**
Total shareholders' equity and liabilities	**699**	**672**	**685**	**92.0**	**644**	**651**

LP Summary Cash Flow Statement Information

Danish GAAP	Year ended December 31,				Six months ended June 30,		Twelve months ended June 30,	
	2015	2016	2017		2017	2018	2018[1]	
	in DKK million			in € million	in DKK million			in € million
Cash and cash equivalents at beginning of the period	**26**	**42**	**51**	**6.9**	**51**	**54**	**25**	**3.4**
Cash flows from operating activities	82	99	146	19.6	47	27	126	16.9
Cash flows from / (used in) investing activities	(17)	(38)	(56)	(7.5)	(19)	(21)	(58)	(7.8)
Cash flows from / (used in) financing activities	(49)	(52)	(87)	(11.7)	(54)	(27)	(60)	(8.1)
Cash and cash equivalents at end of the period	**42**	**51**	**54**	**7.3**	**25**	**33**	**33**	**4.4**

(1) Twelve months ended June 30, 2018 are calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B Historical Financial Information

B&B Summary Consolidated Income Statement Information[1]

Italian GAAP in € millions	Year ended December 31, 2015 Predecessor[2]	2016	2017	Six months ended June 30, 2017	2018	Twelve months ended June 30, 2018[3]
Revenues	161.4	188.3	207.8	103.8	102.1	206.1
Other revenues and income	3.1	3.0	2.3	1.0	1.0	2.3
Total revenues	**164.5**	**191.3**	**210.1**	**104.8**	**103.1**	**208.4**
Purchases of raw materials and variation in inventories	(50.9)	(61.8)	(66.5)	(32.9)	(31.3)	(64.9)
Personnel costs	(31.1)	(32.8)	(37.4)	(19.3)	(19.5)	(37.6)
Service costs	(42.6)	(48.9)	(53.9)	(28.5)	(28.3)	(53.7)
Provisions	(0.2)	(0.7)	(0.1)	—	(0.1)	(0.2)
Other costs and charges	(7.7)	(8.9)	(9.8)	(4.9)	(4.9)	(9.8)
Total costs	**(132.5)**	**(153.2)**	**(167.7)**	**(85.6)**	**(84.1)**	**(166.2)**
Amortization, depreciation and write-downs	(8.2)	(19.3)	(19.8)	(9.7)	(9.3)	(19.3)
Earnings before interest and taxes (EBIT)	**23.8**	**18.8**	**22.6**	**9.5**	**9.7**	**22.9**
Financial income	0.3	0.3	0.1	—	0.8	0.9
Financial charges	(0.6)	(9.3)	(8.6)	(4.4)	(3.7)	(8.0)
Profit/(loss) before tax coming from continuing operations	**23.5**	**9.8**	**14.1**	**5.1**	**6.8**	**15.8**
Income taxes	(7.8)	(5.5)	(5.3)	(1.3)	(3.0)	(7.1)
Net profit/(loss) for the year	**15.7**	**4.4**	**8.8**	**3.9**	**3.8**	**8.7**
Profit/(loss) for the year, pertaining to minority interest	—	0.1	(0.2)	(0.2)	(0.5)	(0.5)
Profit/(loss) for the year, pertaining to the shareholders of the group	15.7	4.3	9.0	4.1	4.4	9.3

(1) The information set out in this table and the following table setting forth B&B Summary Consolidated Statement of Financial Position is derived from B&B Consolidated Financial Statements but has been reclassified in order for the presentation to be in a format that is more typical for international investors. For more information, see "*Presentation of Financial and Other Information—B&B*" and *Annex C*.

(2) Refers to the predecessor entity (B&B Italia S.p.A.), which was extinguished and merged into its parent company Durini 14 S.p.A. (concurrently renamed B&B Italia S.p.A.) with an effective date of October 1, 2016, following the acquisition of the B&B group by funds advised by Investindustrial in 2015. See "*Risk Factors—Risks Related to Our Financial Information—The financial information for Flos and B&B included in this Offering Memorandum reflect certain changes in the scope of consolidation during the periods under review. Accordingly, investors should exercise caution in comparing each of Flos' and B&B's financial information across the periods under review*".

(3) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

B&B Summary Consolidated Statement of Financial Position

Italian GAAP in € millions	As of December 31,			As of June 30,	
	2015 Predecessor	2016	2017	2017	2018
Assets					
Non-current assets					
Intangible fixed assets					
—*Goodwill*	—	162.7	154.8	159.3	150.4
—*Other intangible fixed assets*	4.2	91.3	85.4	87.7	83.8
Property, plant and machinery	31.6	48.6	46.8	47.1	45.4
Shareholding in affiliated companies	0.1	—	—	—	—
Deferred tax assets	4.9	6.7	5.7	6.4	5.6
Non-current receivables from companies of the Group	—	—	0.3	—	0.3
Non-current financial assets	—	1.2	1.2	1.2	1.2
Other non-current assets	—	—	—	—	—
Total Non-current assets	**40.8**	**310.4**	**294.2**	**301.7**	**286.7**
Current assets					
Inventories	21.6	27.7	30.3	24.4	33.6
Trade receivables	21.3	28.7	27.4	23.7	26.7
Current receivables from companies of the Group	0.9	0.1	—	0.1	0.4
Tax assets and other current assets					
Tax credit and due from tax authorities	6.7	5.7	2.4	2.6	2.4
Other assets	3.0	3.1	3.1	3.0	3.5
Current financial assets	—	—	—	—	—
Cash and cash equivalents and deposits	28.7	26.5	31.9	30.9	48.5
Total current assets	**82.2**	**91.9**	**95.2**	**84.6**	**115.2**
Assets held for disposal	4.0	4.0	4.0	4.0	4.0
Total assets	**126.9**	**406.3**	**393.4**	**390.3**	**405.9**
Equity and Liabilities					
Shareholders' Equity					
Share Capital	12.0	1.0	1.0	1.0	1.0
Other reserves	37.6	179.5	176.9	177.1	177.1
Reserve for actuarial gains and losses	—	—	—	—	—
Cash Flow Hedge reserve	—	(1.9)	(1.3)	(1.3)	(1.5)
FTA reserve	—	—	—	—	—
Carried forward Profit/Losses	1.9	(1.4)	2.7	2.9	11.7
Profit/(Loss) for the year	15.7	4.3	9.0	4.1	4.4
Total group shareholders' equity	**67.2**	**181.5**	**188.3**	**183.8**	**192.7**
Minority shareholders' equity	—	—	1.8	1.8	1.6
Profit/(loss) attributable to minority interest	—	—	(0.2)	(0.2)	(0.5)
Total shareholders' equity	**67.2**	**181.5**	**189.9**	**185.4**	**193.8**
Non-current liabilities					
Defined benefit plans	3.1	4.1	3.6	3.9	3.5
Provisions for contingencies and other charges	1.5	5.5	5.2	4.6	5.3
Non-current financial liabilities	—	114.7	101.3	101.0	101.7
Deferred taxes	0.1	28.1	26.7	27.4	26.1
Other non-current liabilities	—	—	—	—	—
Total non-current liabilities	**4.8**	**152.4**	**136.8**	**136.9**	**136.6**
Current liabilities					
Current financial liabilities	—	7.0	3.8	2.8	6.1
Trade payables	44.5	51.7	52.4	53.0	55.0
Current liabilities to companies of the Group	—	—	—	—	—
Tax payables and other current liabilities					
Tax payables and due to tax authorities	3.9	2.0	2.8	3.8	6.7
Due to social security institutions	1.9	2.2	2.4	2.4	2.4
Due to personnel and other payables	4.6	9.5	5.3	6.1	5.4
Total current liabilities	**54.9**	**72.5**	**66.7**	**68.1**	**75.6**
Total liabilities	**59.7**	**224.7**	**203.5**	**205.0**	**212.2**
Total shareholders' equity and liabilities	**126.9**	**406.3**	**393.4**	**390.3**	**405.9**

B&B Summary Cash Flow Statement Information

Italian GAAP in € million	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30[1],
	2015 Predecessor	2016	2017	2017	2018	2018
Net cash and cash equivalents at beginning of the period	**10.4**	**30.9**	**26.5**	**26.5**	**31.9**	**31.9**
Cash flows from operating activities	28.6	16.5	27.5	23.8	16.3	20.0
Cash flows from / (used in) investing activities	(4.1)	(6.8)	(3.9)	(1.1)	(1.9)	(4.7)
Cash flows from / (used in) financing activities	(6.2)	(5.8)	(18.2)	(18.3)	2.1	2.2
Change in the consolidated scope	—	(8.3)	—	—	—	—
Net cash and cash equivalents at end of the period	**28.7**	**26.5**	**31.9**	**30.9**	**48.4**	**49.4**

(1) Twelve months ended June 30, 2018 is calculated by taking the six months ended June 30, 2018 and adding it to the full year ended December 31, 2017 and subtracting the six months ended June 30, 2017.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information (the "**Unaudited Pro Forma Condensed Combined Financial Information**") of International Design Group S.p.A. (the "**Issuer**") has been prepared for illustrative purposes only to give effect to the Acquisitions, the Financing and the Refinancing (the "**Transactions**") and the repayment of certain financial indebtedness in connection with the Acquisition of LP as if they had occurred on:

- January 1, 2017 for purposes of the income statement for the six months ended June 30, 2017 and for the year ended December 31, 2017;
- January 1, 2018 for purposes of the income statement for the six months ended June 30, 2018; and
- June 30, 2018 for purposes of the statement of financial position.

The Unaudited Pro Forma Condensed Combined Financial Information should not be considered indicative of the actual results that would have been achieved had the Transactions been completed on the dates assumed and does not purport to be illustrative of our future combined results of operations or financial position. Our actual results may differ significantly from those reflected in the Unaudited Pro Forma Condensed Combined Financial Information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Information.

The Unaudited Pro Forma Condensed Combined Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The Unaudited Pro Forma Condensed Combined Financial Information is based upon currently available information and certain assumptions, described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information, that the Issuer's management believes are reasonable under the circumstances and include adjustments which give effect to events that are directly attributable to the Transactions and the acquisition of LP by Investindustrial in August 2018, are expected to have a continuing impact on the Issuer and are factually supportable. Neither the assumptions underlying the pro forma adjustments, nor the resulting Unaudited Pro Forma Condensed Combined Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transactions on the pro forma combined condensed statements of financial position and pro forma combined condensed income statement, the Unaudited Pro Forma Condensed Combined Financial Information should be read and interpreted without attempting to reconcile such data.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with:

(i) "*The Transactions*", "*Use of Proceeds*", "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*";

(ii) The Issuer Audited Financial Statements at October 20, 2018 and for the period from September 10, 2018 (date of incorporation) to October 20, 2018 included elsewhere in this Offering Memorandum. The Issuer is a holding company that was incorporated on September 10, 2018 for the purpose of facilitating the Transactions and has no material assets, liabilities and is not involved in any operating activity;

(iii) the Flos 2017 Consolidated Financial Statements, the LP 2017 Consolidated Financial Statements and the B&B 2017 Consolidated Financial Statements, included elsewhere in this Offering Memorandum;

(iv) the Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, the LP 2018 H1 Unaudited Consolidated Financial Statements and the B&B 2018 H1 Unaudited Consolidated Financial Statements, included elsewhere in this Offering Memorandum; and

(v) Annex C and Annex D.

Basis of preparation

The Unaudited Pro Forma Condensed Combined Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transactions. The accounting policies adopted in preparing the Unaudited Pro Forma Condensed Combined Financial Information are based on the International Financial Reporting Standards ("**IFRS**"), endorsed by the European Union.

The historical financial information of B&B and LP listed below have been prepared on the basis of Italian GAAP and Danish GAAP, respectively, and have been converted into IFRS for the purposes of preparing the Unaudited Pro Forma Condensed Combined Financial Information. For a discussion of the material differences between IFRS and Italian GAAP and Danish GAAP, please see Annex A and Annex B, respectively. The conversion of the financial information of B&B and LP into IFRS for the purposes hereof does not imply that B&B and LP have applied IFRS 1 "First Time Adoption of IFRS".

Unless otherwise indicated, all amounts set forth in the Unaudited Pro Forma Condensed Combined Financial Information are expressed in millions of euro. Accordingly, such amounts have been subject to rounding adjustments and, as a result, the totals of the financial information in the Unaudited Pro Forma Condensed Combined Financial Information may vary from the actual arithmetic totals of such information.

Accounting for the Acquisitions

The Issuer from an accounting perspective can be regarded as a joint venture incorporated for the purpose of the consummation of the Transactions. The Acquisitions, as described under "the Transactions", consist of a combination of cash contribution and contribution of investments in Flos, B&B and LP into the Issuer measured at fair value.

At closing of Acquisitions, the two Sponsors will indirectly own equal equity interests in the Targets through the Issuer.

Following the consummation of the Acquisitions, B&B, Flos and LP will be wholly-owned subsidiaries of the Issuer. The Issuer, following the consummation of the Acquisitions will prepare its consolidated financial statements under IFRS as adopted by the EU and will account for the Acquisitions at fair value applying IFRS 2 "Share-based payments" for the cash contribution and IFRS 3 "Business Combination" to the contribution of investments as an accounting policy election applicable to joint ventures upon formation.

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

The valuation studies necessary to determine the fair value of the assets acquired and liabilities assumed as a result of the Transactions and the related allocation of the consideration transferred has not yet commenced. Therefore, the difference between (a) the total consideration expected to be transferred and (b) the net carrying amounts of the identifiable assets acquired and the liabilities assumed by the Issuer on the completion date of the

Acquisitions (the "**Completion Date**") have been fully allocated to goodwill in the unaudited pro forma condensed combined financial information. The fair value on the date of the acquisition of the assets acquired and the liabilities assumed may likely differ significantly from the amounts reflected in the Issuer's unaudited pro forma condensed combined financial information.

The main account balances that will be impacted on a preliminary basis by the net recognised amount of the identifiable assets acquired and liabilities assumed at fair value, once determinable, will be Intangible assets, Trademarks, Property, plant and equipment and Inventory. We believe that significant changes in the amount of goodwill recognised in relation to the Acquisitions may arise due to the final determination of the acquisition accounting, that could result in a material change in our amortisation and depreciation expense relating to identifiable assets acquired.

Accounting for the Financing

The Issuer plans to finance the Acquisitions by using a portion of the proceeds of the Offering of the Notes. In accordance with IFRS 9, the financial liability arising in connection with the issuance of the Notes is accounted for at amortised cost.

Accounting for the Refinancing

The issue of the Notes and the cash contribution for the Acquisitions will be used to refinance the existing facilities at each of Flos, LP and B&B. In accordance with IFRS 9, a financial liability should be removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the relevant contracts is discharged or cancelled or expired. The accounting treatment of a debt restructuring depends on whether the modified terms (or new debt instrument) are "substantially different" to the previous terms (or debt instrument).

The Refinancing will repay and replace substantially all of the existing facilities at Flos, LP and B&B and is accounted for extinguishment of the existing liabilities and the recognition of a new liability at amortised cost.

The following tables show the pro forma adjustments made in order to present the main potential effects of the Transactions on the combined condensed statement of financial position of the Issuer.

Unaudited Pro Forma Condensed Combined Statement of Financial Position as at June 30, 2018

€ millions	Issuer (i)	Flos (ii)	B&B (iii)	LP (iv)	Pro forma adjustments: Acquisitions (v)	Financing (vi)	Refinancing (vii)	Issuer Pro Forma
NON-CURRENT ASSETS								
Intangible fixed assets:								
— Goodwill	—	354.9	150.4	27.1	847.0	—	—	1,379.4
— Other intangible fixed assets	—	148.5	84.9	21.5	—	—	—	254.9
Property, plant and machinery	—	56.1	45.4	7.2	—	—	—	108.7
Shareholding in subsidiary companies	—	—	—	—	—	—	—	—
Shareholding in parent companies	—	—	—	—	—	—	—	—
Shareholding in affiliated companies	—	—	—	—	—	—	—	—
Financial assets held for disposal	—	—	—	—	—	—	—	—
Deferred tax assets	—	4.4	6.2	1.5	—	—	—	12.1
Non-current receivables from companies of the Group	—	—	0.3	—	—	—	—	0.3
Non-current financial assets	—	0.6	1.2	0.7	—	—	—	2.5
Other non-current assets	—	0.6	—	2.7	—	—	—	3.3
TOTAL NON-CURRENT ASSETS	**—**	**565.1**	**288.4**	**60.7**	**847.0**	**—**	**—**	**1,761.2**
CURRENT ASSETS								
Inventories	—	33.4	33.6	11.7	—	—	—	78.7
Trade receivables	—	33.6	26.7	8.7	—	—	—	69.0
Current receivables from companies of the Group	—	—	0.4	—	—	—	—	0.4
Tax assets and other current assets:	—	—	—	—	—	—	—	—
— Tax credit and due from tax authorities	—	2.5	2.4	—	—	—	—	4.9
— Other assets	—	1.5	3.5	1.9	—	—	—	6.9
Current financial assets	—	—	—	—	—	—	—	—
Cash and cash equivalents and deposits	—	28.2	48.5	4.4	(426.4)	685.0	(339.7)	—
TOTAL CURRENT ASSETS	**—**	**99.2**	**115.2**	**26.7**	**(426.4)**	**685.0**	**(339.7)**	**160.0**
Assets held for disposal	—	0.3	4.0	—	—	—	—	4.3
TOTAL ASSETS	**—**	**664.6**	**407.6**	**87.4**	**420.6**	**685.0**	**(339.7)**	**1,925.5**
SHAREHOLDERS' EQUITY								
Total Group Shareholders' equity	**—**	**436.8**	**192.9**	**34.8**	**320.1**	**—**	**—**	**984.6**
Total shareholders' equity	**—**	**440.4**	**194.1**	**50.9**	**320.1**	**—**	**—**	**1,005.5**

€ millions	Issuer (i)	Flos (ii)	B&B (iii)	LP (iv)	Pro forma adjustments: Acquisitions (v)	Financing (vi)	Refinancing (vii)	Issuer Pro Forma
NON-CURRENT LIABILITIES								
Defined benefit plans	—	2.7	3.8	0.8	—	—	—	7.3
Provisions for contingencies and other charges	—	4.3	5.3	0.4	—	—	—	10.0
Non-current liabilities to companies of the Group	—	—	—	—	—	—	—	—
Non-current financial liabilities	—	126.5	101.7	—	100.5	685.0	(328.7)	685.0
Deferred taxes	—	41.2	26.8	5.0	—	—	—	73.0
Other non-current liabilities	—	—	—	0.9	—	—	—	0.9
TOTAL NON-CURRENT LIABILITIES	**—**	**174.7**	**137.6**	**7.1**	**100.5**	**685.0**	**(328.7)**	**776.2**
CURRENT LIABILITIES								
Current financial liabilities	—	2.6	6.1	8.6	—	—	(11.0)	6.3
Trade payables	—	35.3	55.0	9.7	—	—	—	100.0
Current liabilities to companies of the Group	—	—	—	0.3	—	—	—	0.3
Tax payables and other current liabilities:	—	—	—	—	—	—	—	—
— Tax payables and due to tax authorities	—	2.5	6.7	2.7	—	—	—	11.9
— Due to social security institutions	—	1.2	2.4	—	—	—	—	3.6
— Due to personnel and other payables	—	7.9	5.8	8.1	—	—	—	21.8
TOTAL CURRENT LIABILITIES	**—**	**49.5**	**75.9**	**29.4**	**—**	**—**	**(11.0)**	**143.8**
TOTAL LIABILITIES	**—**	**224.2**	**213.5**	**36.5**	**100.5**	**685.0**	**(339.7)**	**920.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**—**	**664.6**	**407.6**	**87.4**	**420.6**	**685.0**	**(339.7)**	**1,925.5**

Note (i)—Statement of Financial Position of Issuer

This column includes the standalone financial position of the Issuer derived from the financial statements of the Issuer as of October 20, 2018, prepared in accordance with IFRS. The Issuer was incorporated on September 10, 2018 for the purpose of facilitating the Transactions.

Note (ii)—Statement of Financial Position of Flos

This column includes the statement of financial position of Flos as of June 30, 2018. Flos's financial information has been extracted, from Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, which are prepared under IFRS.

Note (iii)—Statement of Financial Position of B&B

This column includes the statement of financial position of B&B as of June 30, 2018. B&B's financial information has been extracted from B&B 2018 H1 Unaudited Consolidated Financial Statements, which are prepared under Italian GAAP. The Issuer has reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements for the periods indicated, see Annex C).

No adjustments have been made to eliminate the effects of cumulated goodwill and trademarks amortisations and no adjustments have been made on equity related to this matter; the values reported in the table below represent the net book value as at June 30, 2018 under Italian GAAP as the value of goodwill and other intangible assets is re-determined as part of the Acquisitions pro forma adjustments.

The following table shows the effects of the differences between Italian GAAP and IFRS.

€ millions	B&B Italian GAAP	GAAP Adjustment (a)	B&B IFRS
NON-CURRENT ASSETS			
Intangible fixed assets:			
— Goodwill	150.4	—	150.4
— Other intangible fixed assets	83.8	1.1	84.9
Property, plant and machinery	45.4	—	45.4
Shareholding in subsidiary companies	—	—	—
Shareholding in parent companies	—	—	—
Shareholding in affiliated companies	—	—	—
Financial assets held for disposal	—	—	—
Deferred tax assets	5.6	0.6	6.2
Non-current receivables from companies of the Group	0.3	—	0.3
Non-current financial assets	1.2	—	1.2
Other non-current assets	—	—	—
TOTAL NON-CURRENT ASSETS	**286.7**	**1.7**	**288.4**
CURRENT ASSETS			
Inventories	33.6	—	33.6
Trade receivables	26.7	—	26.7
Current receivables from companies of the Group	0.4	—	0.4
Tax assets and other current assets:	—	—	—
— Tax credit and due from tax authorities	2.4	—	2.4
— Other assets	3.5	—	3.5
Current financial assets	—	—	—
Cash and cash equivalents and deposits	48.5	—	48.5
TOTAL CURRENT ASSETS	**115.2**	**—**	**115.2**
Assets held for disposal	4.0	—	4.0
TOTAL ASSETS	**405.9**	**1.7**	**407.6**
SHAREHOLDERS' EQUITY			
Total Group Shareholders' equity	**192.7**	**0.2**	**192.9**
Total shareholders' equity	**193.8**	**0.3**	**194.1**
NON-CURRENT LIABILITIES			
Defined benefit plans	3.5	0.3	3.8
Provisions for contingencies and other charges	5.3	—	5.3
Non-current liabilities to companies of the Group	—	—	—
Non-current financial liabilities	101.7	—	101.7
Deferred taxes	26.1	0.7	26.8
Other non-current liabilities	—	—	—
TOTAL NON-CURRENT LIABILITIES	**136.6**	**1.0**	**137.6**

€ millions	B&B Italian GAAP	GAAP Adjustment (a)	B&B IFRS
CURRENT LIABILITIES			
Current financial liabilities	6.1	—	6.1
Trade payables	55.0	—	55.0
Current liabilities to companies of the Group	—	—	—
Tax payables and other current liabilities:	—	—	—
— Tax payables and due to tax authorities	6.7	—	6.7
— Due to social security institutions	2.4	—	2.4
— Due to personnel and other payables	5.4	0.4	5.8
TOTAL CURRENT LIABILITIES	**75.5**	**0.4**	**75.9**
TOTAL LIABILITIES	**212.1**	**1.4**	**213.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**405.9**	**1.7**	**407.6**

(a) This column includes the effects of the IFRS conversion:

- *Other intangible fixed assets*: represents development costs that are capitalised under IFRS; under Italian GAAP these costs are expensed.
- *Defined benefit plans:* represents the difference in the accounting treatment for employee benefit plan between IFRS and Italian GAAP. Under IFRS defined benefit plans are accounted for at their discounted value, while under Italian GAAP they are accounted for at their present nominal value.
- *Due to personnel and other payables:* represents the difference in the accounting treatment for rent costs that are accounted based on "straight line method" under IFRS.
- *Tax assets and tax liabilities:* represents the tax effects related to the transitions adjustments above at the effective tax rate.

Note (iv)—Statement of Financial Position of LP

This column includes the statement of financial position of LP as of June 30, 2018. LP's financial information has been extracted from LP 2018 H1 Unaudited Consolidated Financial Statements, which are prepared under Danish GAAP. The Issuer has reclassified and renamed certain Danish GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the LP Consolidated Financial Statements for the periods indicated, see Annex D).

No adjustment has been made to eliminate the effects of cumulated goodwill amortisation; the value reported in the table below represent the net book value as at June 30, 2018 under Danish GAAP, as the value of goodwill and other intangible assets is re-determined as part of the Acquisitions pro forma adjustments.

The following table shows the effects of the translation in euro of LP's unaudited consolidated statement of financial position prepared in DKK and the effects of the differences between Danish GAAP and IFRS.

€ millions	LP Danish GAAP DKK	LP Danish GAAP € (a)	GAAP Adjustment (b)	LP IFRS
NON-CURRENT ASSETS				
Intangible fixed assets:				
— Goodwill	202	27.1	—	27.1
— Other intangible fixed assets	160	21.5	—	21.5
Property, plant and machinery	54	7.2	—	7.2
Shareholding in subsidiary companies	—	—	—	—
Shareholding in parent companies	—	—	—	—
Shareholding in affiliated companies	—	—	—	—
Financial assets held for disposal	—	—	—	—
Deferred tax assets	11	1.5	—	1.5
Non-current receivables from companies of the Group	—	—	—	—
Non-current financial assets	5	0.7	—	0.7
Other non-current assets	20	2.7	—	2.7
TOTAL NON-CURRENT ASSETS	**452**	**60.7**	**—**	**60.7**
CURRENT ASSETS				
Inventories	87	11.7	—	11.7
Trade receivables	65	8.7	—	8.7
Current receivables from companies of the Group	—	—	—	—
Tax assets and other current assets:	—	—	—	—
— Tax credit and due from tax authorities	—	—	—	—
— Other assets	14	1.9	—	1.9
Current financial assets	—	—	—	—
Cash and cash equivalents and deposits	33	4.4	—	4.4
TOTAL CURRENT ASSETS	**199**	**26.7**	**—**	**26.7**
Assets held for disposal	—	—	—	—
TOTAL ASSETS	**651**	**87.4**	**—**	**87.4**
SHAREHOLDERS' EQUITY				
Total Group Shareholders' equity	**260**	**34.8**	**—**	**34.8**
Total shareholders' equity	**380**	**50.9**	**—**	**50.9**
NON-CURRENT LIABILITIES				
Defined benefit plans	6	0.8	—	0.8
Provisions for contingencies and other charges	3	0.4	—	0.4
Non-current liabilities to companies of the Group	—	—	—	—
Non-current financial liabilities	—	—	—	—
Deferred taxes	37	5.0	—	5.0
Other non-current liabilities	7	0.9	—	0.9
TOTAL NON-CURRENT LIABILITIES	**53**	**7.1**	**—**	**7.1**
CURRENT LIABILITIES				
Current financial liabilities	64	8.6	—	8.6
Trade payables	72	9.7	—	9.7
Current liabilities to companies of the Group	2	0.3	—	0.3
Tax payables and other current liabilities:	—	—	—	—
— Tax payables and due to tax authorities	20	2.7	—	2.7
— Due to social security institutions	—	—	—	—
— Due to personnel and other payables	60	8.1	—	8.1
TOTAL CURRENT LIABILITIES	**218**	**29.4**	**—**	**29.4**
TOTAL LIABILITIES	**271**	**36.5**	**—**	**36.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**651**	**87.4**	**—**	**87.4**

(a) This column includes the effects of the translation in euro of LP's unaudited consolidated statement of financial position prepared in DKK at the exchange rate of 7.4504 DKK per 1 euro at June 30, 2018.

(b) This column includes the effects of the IFRS conversion.

Note (v)—Acquisitions

Goodwill

This adjustment represents the allocation of the consideration for the Acquisitions. The Unaudited Pro Forma Condensed Combined Financial Information reflects the estimated total equity value at the Completion Date of €1,399.3 million for Flos, LP and B&B, which is combination of cash and equity contribution. The Issuer will account for the Acquisitions at fair value applying IFRS 3. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired has been preliminary allocated to goodwill.

For the purposes of the Unaudited Pro Forma Condensed Combined Financial Information, the Issuer assumed that the book value of assets acquired and liabilities assumed approximates fair value. Such allocation will likely change based on our determination of fair values, as described above. Our preliminary purchase price allocation is presented in the table below.

€ millions	Total
Consideration for the Acquisitions	1,399.3
Less estimated fair value of the net assets acquired	
Carrying value of net assets/(liabilities)	685.4
Adjustments to:	
Payment by Flos and B&B to certain of their senior management upon completion the Acquisitions	(32.6)
exclude existing goodwill of Target companies	(532.4)
Total estimated preliminary fair value of the net assets acquired	120.4
Additional goodwill arising in connection with Acquisitions of LP by Luminous Designs Denmark Aps	100.5
Goodwill arising on acquisition	**1,379.4**
Existing goodwill	532.4
Adjustment required to goodwill	**847.0**

Non-current financial liabilities

The pro forma adjustments for €100.5 million of *Non-current financial liabilities* refers to the LP Proceeds Loans by way of the Danish HoldCo Proceeds Loan to Danish HoldCo and a subsequent proceeds loan to Luminous Designs Denmark ApS, both in an amount expected to be approximately €100.5 million at Completion Date. This debt is not included in the historical interim statement of financial position of LP due to was incurred by Luminous Designs Denmark ApS for the acquisition of LP by Investindustrial in August 2018.

Cash and cash equivalents and deposits

The pro forma adjustment of *Cash and cash equivalents and deposits* represents the net impact of cash outflow originated following the Acquisitions as reported below:

€ millions	Total
Cash payment for the acquisition of Flos and B&B	(917.0)
Cash contribution	533.2
Payment by Flos and B&B to certain of their senior management upon completion the Acquisitions	(32.6)
Fees and expenses for the Acquisitions (to be expensed as incurred)	(10.0)
Pro Forma Adjustment to cash and cash equivalents and deposits	**(426.4)**

Cash contribution includes the cash contributed by the Sponsors and by certain employees and members of management. For the purpose of preparing the Unaudited Pro Forma Condensed Combined Financial Information, it has been assumed that 5% of the share capital of the Issuer will be indirectly acquired by certain employees and members of management.

Note (vi) and (vii)—Financing and Refinancing

These columns reflect the expected repayment of existing borrowings at each of Flos, B&B and LP Existing Senior Facility and increase in borrowings as a result of the issuance of the Notes, as follows:

€ millions	Total
Repayment of Flos Existing Senior Facility	(123.1)
Repayment of B&B Existing Senior Facility	(107.5)
Repayment of indebtedness at LP	(8.6)
Repayment of LP Existing Senior Facility	(100.5)
Total Refinancing	**(339.7)**
Notes to be issued	720.0
Commitment, financial advisory fees and other transaction costs and professional expenses	(35.0)
Total Financing	**685.0**

Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2018

€ millions	Issuer (i)	Flos (ii)	B&B (iii)	LP (iv)	Pro forma adjustments: Acquisitions (v)	Financing (vi)	Refinancing (vii)	Issuer Pro Forma
Revenues from contracts with customers	—	107.9	102.1	49.7	—	—	—	259.7
Other revenues and income	—	1.5	1.0	—	—	—	—	2.5
TOTAL REVENUES	**—**	**109.4**	**103.1**	**49.7**	**—**	**—**	**—**	**262.2**
Purchases of raw materials and variation in inventories	—	(32.1)	(31.3)	(15.2)	—	—	—	(78.6)
Personnel costs	—	(18.5)	(19.1)	(16.2)	—	—	—	(53.8)
Service costs	—	(31.3)	(28.2)	(9.3)	—	—	—	(68.8)
Provisions	—	(0.6)	(0.1)	(0.3)	—	—	—	(1.0)
Other costs and charges	—	(2.8)	(5.0)	—	—	—	—	(7.8)
TOTAL COSTS	**—**	**(85.3)**	**(83.7)**	**(41.0)**	**—**	**—**	**—**	**(210.0)**
Amortization, depreciation and write-downs	—	(4.3)	(3.0)	(2.6)	—	—	—	(9.8)
OPERATING PROFIT	**—**	**19.8**	**16.5**	**6.1**	**—**	**—**	**—**	**42.4**
Financial income	—	0.5	0.8	—	—	—	—	1.3
Financial charges	—	(5.4)	(3.7)	—	—	(25.1)	7.8	(26.4)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**—**	**14.9**	**13.6**	**6.1**	**—**	**(25.1)**	**7.8**	**17.3**
Income taxes	—	(3.7)	(3.7)	(1.6)	—	5.9	(1.9)	(5.0)
NET RESULT COMING FROM CONTINUING OPERATIONS	**—**	**11.2**	**9.9**	**4.5**	**—**	**(19.2)**	**5.9**	**12.3**
PROFIT/(LOSS) FOR THE PERIOD	**—**	**11.2**	**9.9**	**4.5**	**—**	**(19.2)**	**5.9**	**12.3**
Profit/(Loss) for the period, pertaining to minority interest	—	0.7	(0.4)	1.2	(1.5)	—	—	—
Profit/(Loss) for the period, pertaining to the Group	—	10.5	10.3	3.3	1.5	(19.2)	5.9	12.3

Note (i)—Income Statement of Issuer

This column includes the standalone income statement of the Issuer for the period from September 10, 2018 (the incorporation date) to October 20, 2018, derived from the Issuer Financial Statements prepared in accordance with IFRS.

Note (ii)—Income Statement of Flos

This column includes the consolidated income statement of Flos for the six months ended June 30, 2018. Flos's financial information has been extracted from Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, which are prepared under IFRS.

Note (iii)—Income Statement of B&B

This column includes the consolidated income statement of B&B for the six months ended June 30, 2018. B&B's financial information has been extracted from B&B 2018 H1 Unaudited Consolidated Financial Statements, which are prepared under Italian GAAP. The Issuer has

reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements for the periods indicated, see Annex C).

The following table shows the effects of the differences between Italian GAAP and IFRS.

€ millions	B&B Italian GAAP	GAAP Adjustment (a)	B&B IFRS
Revenues from contracts with customers	102.1	—	102.1
Other revenues and income	1.0	—	1.0
TOTAL REVENUES	**103.1**	**—**	**103.1**
Purchases of raw materials and variation in inventories	(31.3)	—	(31.3)
Personnel costs	(19.5)	0.4	(19.1)
Service costs	(28.3)	0.1	(28.2)
Provisions	(0.1)	—	(0.1)
Other costs and charges	(5.0)	—	(5.0)
TOTAL COSTS	**(84.2)**	**0.5**	**(83.7)**
Amortization, depreciation and write-downs	(9.3)	6.3	(3.0)
OPERATING PROFIT	**9.7**	**6.8**	**16.5**
Financial income	0.8	—	0.8
Financial charges	(3.7)	—	(3.7)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**6.8**	**6.8**	**13.6**
Income taxes	(3.0)	(0.7)	(3.7)
NET RESULT COMING FROM CONTINUING OPERATIONS	**3.8**	**6.1**	**9.9**
PROFIT/(LOSS) FOR THE PERIOD	**3.8**	**6.1**	**9.9**
Profit/(Loss) for the period, pertaining to minority interest	(0.5)	0.1	(0.4)
Profit/(Loss) for the period, pertaining to the Group	4.3	6.0	10.3

(a) This column includes the effects of the IFRS conversion:

- *Personnel costs and service costs*: represents development costs that are capitalised under IFRS (whereas these costs are expensed under Italian GAAP).
- *Amortization, depreciation and write downs*: represents the difference in the accounting treatment for goodwill (€4.4 million) and trademarks (€2.4 million) amortisations between IFRS and Italian GAAP. This line item includes also the amortisation of development costs that are capitalised under IFRS (€(0.4) millions).

Under IFRS, amortisation of goodwill is not permitted; furthermore, amortisation of trademarks (provided such trademarks have an indefinite useful life based on an analysis of all of the relevant factors so that there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity) is not permitted. Instead, annual impairment testing is required. Under Italian GAAP, goodwill and trademarks are amortised over their useful economic life. Furthermore, due to different temporary deductible treatment of trademarks, the trademarks' adjustment has been partially netted by higher deferred tax liabilities (€0.7 million) as reported in the above line item "income taxes". Adjustments have been made to eliminate goodwill and trademarks amortisations under IFRS.

Note (iv)—Income Statement of LP

This column includes the consolidated income statement of LP for the six months ended June 30, 2018. LP's financial information has been extracted without material adjustments from LP 2018 H1 Unaudited consolidated Financial Statements, which are prepared under Danish GAAP. The

Issuer has reclassified and renamed certain Danish GAAP line items in order for the presentation to be in a format that is more typical for international investors. For a reconciliation of the reclassified and renamed line items to the corresponding line items in the LP Consolidated Financial Statements for the periods indicated, see Annex D.

The following table shows the effects of the translation in euro of LP's unaudited consolidated income statement prepared in DKK and the effects of the differences between Danish GAAP and IFRS.

€ millions	LP Danish GAAP DKK	LP Danish GAAP € (a)	GAAP Adjustment (b)	LP IFRS
Revenues from contracts with customers	370	49.7	—	49.7
Other revenues and income	—	—	—	—
TOTAL REVENUES	**370**	**49.7**	**—**	**49.7**
Purchases of raw materials and variation in inventories	(113)	(15.2)	—	(15.2)
Personnel costs	(121)	(16.2)	—	(16.2)
Service costs	(69)	(9.3)	—	(9.3)
Provisions	(2)	(0.3)	—	(0.3)
Other costs and charges	—	—	—	—
TOTAL COSTS	**(305)**	**(41.0)**	**—**	**(41.0)**
Amortization, depreciation and write-downs	(25)	(3.4)	0.8	(2.6)
OPERATING PROFIT	**40**	**5.3**	**0.8**	**6.1**
Financial income	—	—	—	—
Financial charges	—	—	—	—
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**40**	**5.3**	**0.8**	**6.1**
Income taxes	(12)	(1.6)	—	(1.6)
NET RESULT COMING FROM CONTINUING OPERATIONS	**28**	**3.7**	**0.8**	**4.5**
PROFIT/(LOSS) FOR THE PERIOD	**28**	**3.7**	**0.8**	**4.5**
Profit/(Loss) for the period, pertaining to minority interest	9	1.2	—	1.2
Profit/(Loss) for the period, pertaining to the Group	19	2.5	0.8	3.3

(a) Represents the translation in euro of LP's unaudited consolidated income statement prepared in DKK at the average exchange rate of 7.4480 DKK per 1 euro for the six months ended June 30, 2018.

(b) Represents the difference in the accounting treatment for goodwill amortisation between IFRS and Danish GAAP. Under IFRS, amortisation of goodwill is not permitted, instead annual impairment testing is required. Under Danish GAAP, goodwill is amortised over its useful economic life. An adjustment has been made to eliminate goodwill amortisation under IFRS.

Note (v)—Acquisitions

There are no pro forma adjustment to the Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2018.

Note (vi)—Financing

Represents the estimated Pro Forma Cash interest Expense of the Issuer for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions as if they had occurred on July 1, 2017 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) €320.0 million Floating Rate Notes issued at 100.0% and carrying an interest rate of three-month EURIBOR plus 6.0% (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), and (ii)

€400.0 million 6.5% Fixed Rate Notes issued at 100.0%. Pro Forma Cash Interest Expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility or interest accruing on the €11.8 million of other financial liabilities that we expect will remain outstanding following the Transactions (mainly consisting of financial leasing, local and short-term uncommitted unsecured credit facilities and deferred purchase price obligations, as further described under "*Capitalization*") and is calculated gross of the debt issuance costs in connection with the Transactions. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Note (vii)—Refinancing

This column includes the elimination of the finance expense equal to €7.8 million recorded by Flos, B&B and LP in their historical financial statements in relation to the indebtedness to be refinanced and the related tax effect, estimated in €1.9 million.

Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2017 (12 months)

					Pro forma adjustments			
€ millions	Issuer (i)	Flos (ii)	B&B (iii)	LP (iv)	Acquisitions (v)	Financing (vi)	Refinancing (vii)	Issuer Pro Forma
Revenues from contracts with customers	—	212.6	207.8	107.7	—	—	—	528.1
Other revenues and income	—	3.8	2.3	—	—	—	—	6.1
TOTAL REVENUES	**—**	**216.4**	**210.1**	**107.7**	**—**	**—**	**—**	**534.2**
Purchases of raw materials and variation in inventories	—	(63.9)	(66.5)	(35.2)	—	—	—	(165.6)
Personnel costs	—	(35.5)	(36.6)	(33.2)	—	—	—	(105.3)
Service costs	—	(56.7)	(53.8)	(18.8)	—	—	—	(129.3)
Provisions	—	(1.1)	(0.1)	(0.5)	—	—	—	(1.7)
Other costs and charges	—	(5.6)	(10.0)	—	—	—	—	(15.6)
TOTAL COSTS	**—**	**(162.8)**	**(167.0)**	**(87.7)**	**—**	**—**	**—**	**(417.5)**
Amortization, depreciation and write-downs	—	(8.8)	(6.9)	(5.1)	—	—	—	(20.8)
OPERATING PROFIT	**—**	**44.8**	**36.2**	**14.9**	**—**	**—**	**—**	**95.9**
Financial income	—	0.6	0.1	1.7	—	—	(0.2)	2.2
Financial charges	—	(12.9)	(8.6)	(0.8)	—	(50.2)	18.0	(54.5)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**—**	**32.5**	**27.7**	**15.8**	**—**	**(50.2)**	**17.8**	**43.6**
Income taxes	—	(9.0)	(6.6)	(3.6)	—	11.9	(4.3)	(11.6)
NET RESULT COMING FROM CONTINUING OPERATIONS	**—**	**23.5**	**21.1**	**12.2**	**—**	**(38.3)**	**13.5**	**32.0**
PROFIT/(LOSS) FOR THE PERIOD	**—**	**23.5**	**21.1**	**12.2**	**—**	**(38.3)**	**13.5**	**32.0**
Profit/(Loss) for the period, pertaining to minority interest	—	1.5	(0.1)	3.2	(4.6)	—	—	—
Profit/(Loss) for the period, pertaining to the Group	—	22.0	21.2	9.0	4.6	(38.3)	13.5	32.0

Note (i)—Income Statement of Issuer

This column includes the standalone income statement of the Issuer for the period from September 10, 2018 (the incorporation date) to October 20, 2018, derived from the Issuer Financial Statements prepared in accordance with IFRS.

Note (ii)—Income Statement of Flos

This column includes the consolidated income statement of Flos for the year ended December 31, 2017. Flos's financial information has been extracted from Flos 2017 Consolidated Financial Statements, which are prepared under IFRS.

Note (iii)—Income Statement of B&B

This column includes the consolidated income statement of B&B for the year ended December 31, 2017. B&B's financial information has been extracted without material adjustments from B&B 2017 Consolidated Financial Statements, which are prepared under Italian GAAP. The Issuer has reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements for the periods indicated, see Annex C).

The following table shows the effects of the differences between Italian GAAP and IFRS.

€ millions	B&B Italian GAAP	GAAP Adjustment (a)	B&B IFRS
Revenues from contracts with customers	207.8	—	207.8
Other revenues and income	2.3	—	2.3
TOTAL REVENUES	**210.1**	**—**	**210.1**
Purchases of raw materials and variation in inventories	(66.5)	—	(66.5)
Personnel costs	(37.4)	0.8	(36.6)
Service costs	(53.9)	0.1	(53.8)
Provisions	(0.1)	—	(0.1)
Other costs and charges	(9.8)	(0.2)	(10.0)
TOTAL COSTS	**(167.7)**	**0.7**	**(167.0)**
Amortization, depreciation and write-downs	(19.8)	12.9	(6.9)
OPERATING PROFIT	**22.6**	**13.6**	**36.2**
Financial income	0.1	—	0.1
Financial charges	(8.6)	—	(8.6)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**14.1**	**13.6**	**27.7**
Income taxes	(5.3)	(1.3)	(6.6)
NET RESULT COMING FROM CONTINUING OPERATIONS	**8.8**	**12.3**	**21.1**
PROFIT/(LOSS) FOR THE PERIOD	**8.8**	**12.3**	**21.1**
Profit/(Loss) for the period, pertaining to minority interest	(0.2)	0.1	(0.1)
Profit/(Loss) for the period, pertaining to the Group	9.0	—	21.2

(a) This column includes the effects of the IFRS conversion:

- *Personnel costs and service costs:* represents development costs that are capitalised under IFRS (whereas these costs are expensed under Italian GAAP).
- *Other costs and charges*: represents the difference in the accounting treatment for rent costs that are accounted based on "straight line method" under IFRS.
- *Amortization, depreciation and write downs*: represents the difference in the accounting treatment for goodwill (€8.8 million) and trademarks (€4.7 million) amortisations between IFRS and Italian GAAP. This line item includes also the amortisation of development costs that are capitalised under IFRS (€0.6 million)

Under IFRS, amortisation of goodwill is not permitted; furthermore, amortisation of trademarks (provided such trademarks have an indefinite useful life based on an analysis of all of the

relevant factors so that there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity) is not permitted. Instead annual impairment testing is required. Under Italian GAAP, goodwill and trademarks are amortised over their useful economic life. Furthermore due to different temporary deductible treatment of trademarks, the trademarks' adjustment has been partially netted by higher deferred tax liabilities (€1.3 million). Adjustments have been made to eliminate goodwill and trademarks amortisations under IFRS.

Note (iv)—Income Statement of LP

This column includes the consolidated income statement of LP for the year ended December 31, 2017. LP's financial information has been extracted without material adjustments from LP 2017 Consolidated Financial Statements, which are prepared under Danish GAAP. The Issuer has reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the LP Consolidated Financial Statements for the periods indicated, see Annex D).

The following table shows the effects of the translation in euro of LP's unaudited consolidated statement of financial position prepared in DKK and the effects of the differences between Danish GAAP and IFRS.

€ millions	LP Danish GAAP DKK	LP Danish GAAP € (a)	GAAP Adjustment (b)	LP IFRS
Revenues from contracts with customers	801.0	107.7	—	107.7
Other revenues and income	—	—	—	—
TOTAL REVENUES	**801.0**	**107.7**	**—**	**107.7**
Purchases of raw materials and variation in inventories	(262.0)	(35.2)	—	(35.2)
Personnel costs	(247.0)	(33.2)	—	(33.2)
Service costs	(140.0)	(18.8)	—	(18.8)
Provisions	(4.0)	(0.5)	—	(0.5)
Other costs and charges	—	—	—	—
TOTAL COSTS	**(653.0)**	**(87.7)**	**—**	**(87.7)**
Amortization, depreciation and write-downs	(50.0)	(6.7)	1.6	(5.1)
OPERATING PROFIT	**98.0**	**13.3**	**1.6**	**14.9**
Financial income	13.0	1.7	—	1.7
Financial charges	(6.0)	(0.8)	—	(0.8)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**105.0**	**14.2**	**1.6**	**15.8**
Income taxes	(27.0)	(3.6)		(3.6)
NET RESULT COMING FROM CONTINUING OPERATIONS	**78.0**	**10.6**	**1.6**	**12.2**
PROFIT/(LOSS) FOR THE PERIOD	**78.0**	**10.6**	**1.6**	**12.2**
Profit/(Loss) for the period, pertaining to minority interest	24.0	3.2	—	3.2
Profit/(Loss) for the period, pertaining to the Group	54.0	7.4	1.6	9.0

(a) Represents the translation in euro of LP's audited consolidated income statement prepared in DKK at the average exchange rate of 7.4388 DKK per 1 euro for the year ended December 31, 2017.

(b) Represents the difference in the accounting treatment for goodwill amortisation between IFRS and Danish GAAP. Under IFRS, amortisation of goodwill is not permitted, instead annual impairment testing is required. Under Danish GAAP, goodwill is amortised over its useful economic life. An adjustment has been made to eliminate goodwill amortisation under IFRS.

Note (v)—Acquisitions

There are no pro forma adjustment to the Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2017.

Note (vi)—Financing

Represents the estimated Pro Forma Cash interest Expense of the Issuer for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions as if they had occurred on July 1, 2017 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) €320.0 million Floating Rate Notes issued at 100.0% and carrying an interest rate of three-month EURIBOR plus 6.0% (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), and (ii) €400.0 million 6.5% Fixed Rate Notes issued at 100.0%. Pro Forma Cash Interest Expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility or interest accruing on the €11.8 million of other financial liabilities that we expect will remain outstanding following the Transactions (mainly consisting of financial leasing, local and short-term uncommitted unsecured credit facilities and deferred purchase price obligations, as further described under "*Capitalization*") and is calculated gross of the debt issuance costs in connection with the Transactions. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Note (vii)—Refinancing

This column includes the elimination of the finance expense equal to €18.0 million recorded by Flos, B&B and LP in their historical financial statements in relation to the indebtedness to be refinanced and the related tax effect, estimated in €4.3 million.

Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2017

€ millions	Issuer (i)	Flos (ii)	B&B (iii)	LP (iv)	Pro forma adjustments: Acquisitions (v)	Financing (vi)	Refinancing (vii)	Issuer Pro Forma
Revenues from contracts with customers	—	105.0	103.8	50.7	—	—	—	259.5
Other revenues and income	—	1.4	1.0	—	—	—	—	2.4
TOTAL REVENUES	**—**	**106.4**	**104.8**	**50.7**	**—**	**—**	**—**	**261.9**
Purchases of raw materials and variation in inventories	—	(32.6)	(32.9)	(16.7)	—	—	—	(82.2)
Personnel costs	—	(17.1)	(18.9)	(16.5)	—	—	—	(52.5)
Service costs	—	(29.1)	(28.4)	(9.8)	—	—	—	(67.3)
Provisions	—	(0.6)	—	(0.4)	—	—	—	(1.0)
Other costs and charges	—	(2.7)	(5.0)	—	—	—	—	(7.7)
TOTAL COSTS	**—**	**(82.1)**	**(85.2)**	**(43.4)**	**—**	**—**	**—**	**(210.7)**
Amortization, depreciation and write-downs	—	(4.3)	(3.2)	(2.4)	—	—	—	(9.9)
OPERATING PROFIT	**—**	**20.0**	**16.4**	**4.9**	**—**	**—**	**—**	**41.3**
Financial income	—	0.3	—	0.4	—	—	—	0.7
Financial charges	—	(6.3)	(4.4)	—	—	(25.1)	8.9	(26.9)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**—**	**14.0**	**12.0**	**5.3**	**—**	**(25.1)**	**8.9**	**15.1**
Income taxes	—	(4.4)	(1.9)	(1.3)	—	5.9	(2.1)	(3.8)
NET RESULT COMING FROM CONTINUING OPERATIONS	**—**	**9.6**	**10.1**	**4.0**	**—**	**(19.2)**	**6.8**	**11.3**
PROFIT/(LOSS) FOR THE PERIOD	**—**	**9.6**	**10.1**	**4.0**	**—**	**(19.2)**	**6.8**	**11.3**
Profit/(Loss) for the period, pertaining to minority interest	—	0.8	(0.1)	0.9	(1.6)	—	—	—
Profit/(Loss) for the period, pertaining to the Group	—	8.8	10.2	3.1	1.6	(19.2)	6.8	11.3

Note (i)—Income Statement of Issuer

This column includes the standalone income statement of the Issuer for the period from September 10, 2018 (the incorporation date) to October 20, 2018, derived from the Issuer Financial Statements prepared in accordance with IFRS.

Note (ii)—Income Statement of Flos

This column includes the consolidated income statement of Flos for the six months ended June 30, 2017. Flos's financial information has been extracted from Flos 2018 H1 Unaudited Condensed Consolidated Financial Statements, which set forth comparative financial data for the six months ended June 30, 2017 and are prepared under IFRS.

Note (iii)—Income Statement of B&B

This column includes the consolidated income statement of B&B for the six months ended June 30, 2017. B&B's financial information has been extracted without material adjustment, from B&B 2018 H1 Unaudited Consolidated Financial Statements, which set forth comparative financial data for the six months ended June 30, 2017 and are prepared under Italian GAAP. The Issuer has reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the B&B Consolidated Financial Statements for the periods indicated, see Annex C). The following table shows the effects of significant differences between Italian GAAP and IFRS.

€ millions	B&B Italian GAAP	GAAP Adjustment (a)	B&B IFRS
Revenues from contracts with customers	103.8	—	103.8
Other revenues and income	1.0	—	1.0
TOTAL REVENUES	**104.8**	**—**	**104.8**
Purchases of raw materials and variation in inventories	(32.9)	—	(32.9)
Personnel costs	(19.3)	0.4	(18.9)
Service costs	(28.5)	0.1	(28.4)
Provisions	—	—	—
Other costs and charges	(4.9)	(0.1)	(5.0)
TOTAL COSTS	**(85.6)**	**0.4**	**(85.2)**
Amortization, depreciation and write-downs	(9.7)	6.5	(3.2)
OPERATING PROFIT	**9.5**	**6.9**	**16.4**
Financial income	—	—	—
Financial charges	(4.4)	—	(4.4)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**5.1**	**6.9**	**12.0**
Income taxes	(1.2)	(0.7)	(1.9)
NET RESULT COMING FROM CONTINUING OPERATIONS	**3.9**	**6.2**	**10.1**
PROFIT/(LOSS) FOR THE PERIOD	**3.9**	**6.2**	**10.1**
Profit/(Loss) for the period, pertaining to minority interest	(0.2)	0.1	(0.1)
Profit/(Loss) for the period, pertaining to the Group	4.1	6.1	10.2

(a) This column includes the effects of the IFRS conversion:

- *Personnel costs and service costs*: represents development costs that are capitalised under IFRS (whereas these costs are expensed under Italian GAAP).
- *Other costs and charges*: represents the difference in the accounting treatment for rent costs that are accounted based on "straight line method" under IFRS
- *Amortization, depreciation and write downs:* represents the difference in the accounting treatment for goodwill (€4.4 million) and trademarks (€2.4 million) amortisations between IFRS and Italian GAAP. This line item includes also the amortisation of development costs that are capitalised under IFRS (€0.3 million).

Under IFRS, amortisation of goodwill is not permitted; furthermore, amortisation of trademarks (provided such trademarks have an indefinite useful life based on an analysis of all of the relevant factors so that there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity) is not permitted. Instead annual impairment testing is required. Under Italian GAAP, goodwill and trademarks are amortised over their useful economic life. Furthermore due to different temporary deductible treatment of trademarks, the trademarks' adjustment has been partially netted by higher deferred tax

liabilities (€0.7 million). Adjustments have been made to eliminate goodwill and trademarks amortisations under IFRS.

Note (iv)—Income Statement of LP

This column includes the consolidated income statement of LP for the six months ended June 30, 2017. LP's financial information has been extracted without material adjustments from LP 2018 H1 Unaudited Consolidated Financial Statements, which set forth comparative financial data for the six months ended June 30, 2017 and are prepared under Danish GAAP. The Issuer has reclassified and renamed certain Italian GAAP line items in order for the presentation to be in a format that is more typical for international investors (for a reconciliation of the reclassified and renamed line items to the corresponding line items in the LP Consolidated Financial Statements for the periods indicated, see Annex D).

The following table shows the effects of the translation in euro of LP's unaudited consolidated statement of financial position prepared in DKK and the effects of the differences between Danish GAAP and IFRS.

€ millions	LP Danish GAAP DKK	LP Danish GAAP € (a)	GAAP Adjustment (b)	LP IFRS
Revenues from contracts with customers	377.0	50.7	—	50.7
Other revenues and income	—	—	—	—
TOTAL REVENUES	**377.0**	**50.7**	**—**	**50.7**
Purchases of raw materials and variation in inventories	(124.0)	(16.7)	—	(16.7)
Personnel costs	(123.0)	(16.5)	—	(16.5)
Service costs	(73.0)	(9.8)	—	(9.8)
Provisions	(3.0)	(0.4)	—	(0.4)
Other costs and charges	—	—	—	—
TOTAL COSTS	**(323.0)**	**(43.4)**	**—**	**(43.4)**
Amortization, depreciation and write-downs	(24.0)	(3.2)	0.8	(2.4)
OPERATING PROFIT	**30.0**	**4.1**	**0.8**	**4.9**
Financial income	3.0	0.4	—	0.4
Financial charges	—	—	—	—
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**33.0**	**4.5**	**0.8**	**5.3**
Income taxes	(10.0)	(1.3)	—	(1.3)
NET RESULT COMING FROM CONTINUING OPERATIONS	**23.0**	**3.2**	**0.8**	**4.0**
PROFIT/(LOSS) FOR THE PERIOD	**23.0**	**3.2**	**0.8**	**4.0**
Profit/(Loss) for the period, pertaining to minority interest	7.0	0.9	—	0.9
Profit/(Loss) for the period, pertaining to the Group	16.0	2.3	0.8	3.1

(a) Represents the translation in euro of LP's unaudited consolidated income statement prepared in DKK at the average exchange rate of 7.4369 DKK per 1 euro for the six month period ended June 30, 2017.

(b) Represents the difference in the accounting treatment for goodwill amortisation between IFRS and Danish GAAP. Under IFRS, amortisation of goodwill is not permitted, instead annual impairment testing is required. Under Danish GAAP, goodwill is amortised over its useful economic life. An adjustment has been made to eliminate goodwill amortisation under IFRS.

Note (v)—Acquisitions

There are no pro forma adjustment to the Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2017.

Note (vi)—Financing

Represents the estimated Pro Forma Cash interest Expense of the Issuer for the twelve months ended June 30, 2018, after giving pro forma effect to the Transactions as if they had occurred on July 1, 2017 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) €320.0 million Floating Rate Notes issued at 100.0% and carrying an interest rate of three-month EURIBOR plus 6.0% (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period), and (ii) €400.0 million 6.5% Fixed Rate Notes issued at 100.0%. Pro Forma Cash Interest Expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility or interest accruing on the €11.8 million of other financial liabilities that we expect will remain outstanding following the Transactions (mainly consisting of financial leasing, local and short-term uncommitted unsecured credit facilities and deferred purchase price obligations, as further described under "*Capitalization*") and is calculated gross of the debt issuance costs in connection with the Transactions. Pro Forma Cash Interest Expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Note (vii)—Refinancing

This column includes the elimination of the finance expense equal to €8.9 million recorded by Flos, B&B and LP in their historical financial statements in relation to the indebtedness to be refinanced and the related tax effect, estimated in €2.1 million.

UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

The unaudited pro forma condensed combined income statement of the Issuer for the twelve months ended June 30, 2018 has been prepared by taking the pro forma condensed combined income statement of the Issuer for the six months ended June 30, 2018 and adding it to the pro forma condensed combined income statement of the Issuer for the year ended December 31, 2017 and subtracting the pro forma condensed combined income statement of the Issuer for the six months ended June 30, 2017.

€ millions	Pro forma Six months ended June 30, 2018 (i)	Pro forma Year ended December 31, 2017 (ii)	Pro forma Six months ended June 30, 2017 (iii)	Pro forma Twelve months ended June 30, 2018 (i)+(ii)-(iii)
Revenues from contracts with customers	259.7	528.1	259.5	528.3
Other revenues and income	2.5	6.1	2.4	6.2
TOTAL REVENUES	**262.2**	**534.2**	**261.9**	**534.5**
Purchases of raw materials and variation in inventories	(78.6)	(165.6)	(82.2)	(162.0)
Personnel costs	(53.8)	(105.3)	(52.5)	(106.6)
Service costs	(68.8)	(129.3)	(67.3)	(130.8)
Provisions	(1.0)	(1.7)	(1.0)	(1.7)
Other costs and charges	(7.8)	(15.6)	(7.7)	(15.7)
TOTAL COSTS	**(210.0)**	**(417.5)**	**(210.7)**	**(416.8)**
Amortization, depreciation and write-downs	(9.8)	(20.8)	(9.9)	(20.7)
OPERATING PROFIT	**42.4**	**95.9**	**41.3**	**97.0**
Financial income	1.3	2.2	0.7	2.8
Financial charges	(26.4)	(54.5)	(26.9)	(54.0)
RESULT BEFORE TAX COMING FROM CONTINUING OPERATIONS	**17.3**	**43.6**	**15.1**	**45.8**
Income taxes	(5.0)	(11.6)	(3.8)	(12.8)
NET RESULT COMING FROM CONTINUING OPERATIONS	**12.3**	**32.0**	**11.3**	**33.0**
PROFIT/(LOSS) FOR THE PERIOD	**12.3**	**32.0**	**11.3**	**33.0**
Profit/(Loss) for the period, pertaining to minority interest	—	—	—	—
Profit/(Loss) for the period, pertaining to the Group	12.3	32.0	11.3	33.0

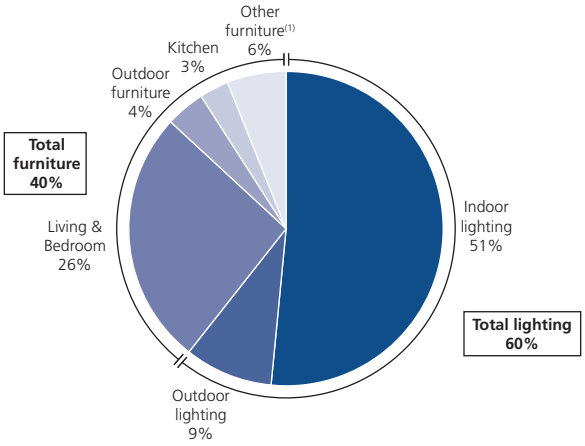
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

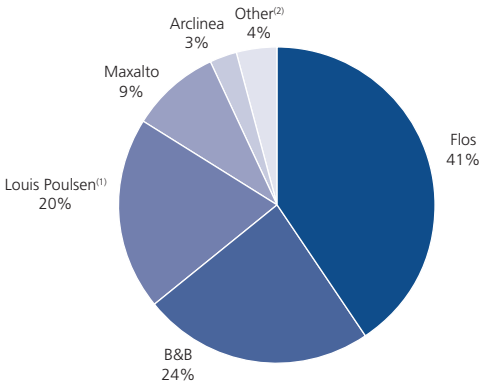
Overview

We design, produce, distribute and sell high-end lighting and furniture solutions, bringing together three companies with leading positions in the global high-end design market: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With Pro Forma Group Revenue of €534.5 million, Target Group Synergized EBITDA of €135.3 million and Pro Forma Group Net Profit of €33.0 million for the twelve months ended June 30, 2018, we are the global leader in the high-end design market. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. We believe that the joint strategic direction of these three standalone businesses, together with our long-standing relationships with top designers and specifiers (parties that are involved in our customers' purchasing decisions but are not the end users, such as architects, developers and lighting engineers), our recognizable and strong brands, our broad and diversified offering of top quality products, our extensive geographical footprint and the omni-channel approach of our distribution network will generate cost and revenue synergies, expand our customer reach and product portfolio and position us well to deliver strong cash generation and growth, with the goal of becoming the one-stop shop for high-quality design furniture and lighting products for both individuals and businesses around the world.

For the twelve months ended June 30, 2018, we would have generated approximately 60% of our Aggregated LTM Revenue from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for approximately 40% and approximately 20% of such Aggregated LTM Revenue, respectively. We would have generated approximately 40% of our Aggregated LTM Revenue from the furniture category, which includes, amongst other product categories, living room and bedroom products, outdoor products and kitchens, with our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group) accounting for approximately 24%, approximately 9% and approximately 3% of such Aggregated LTM Revenue, respectively. The following charts set forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by product category and brand:



(1) Other furniture includes revenues from B&B's Contract division and from B&B bathroom products.



(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Other includes revenus from B&B's Contract division that are not branded B&B Italia, Maxalto or Arclinea.

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

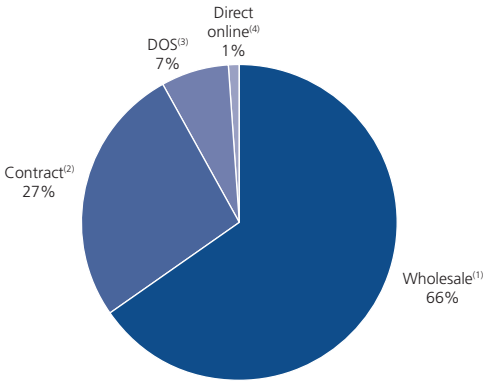
(i) *Wholesale.* Our wholesale channel comprises over 4,700 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

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

(iii) *Directly-Operated Stores* ("**DOS**"). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos and B&B, either individually by company or in a combination with products from our other companies; and

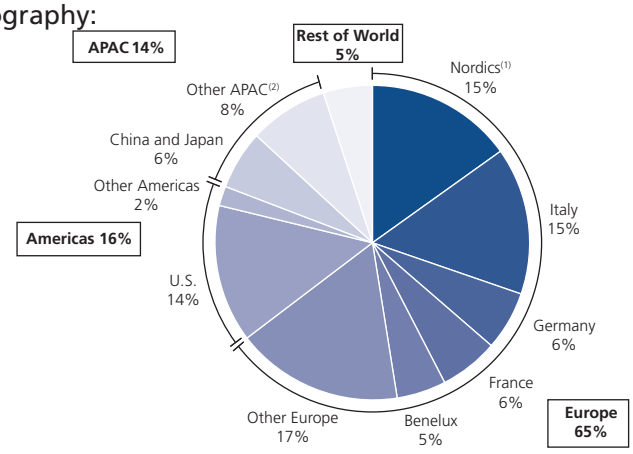
(iv) *Direct online*. Our direct online channel consists of e-commerce websites selling products from Flos in the U.S. and Louis Poulsen in Denmark, Sweden, Norway and Germany.

The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by sales channel:



(1) Wholesale includes all of Louis Poulsen's B2C Division revenues, excluding revenues derived from the direct online channel.
(2) Contract includes all of Louis Poulsen's B2B Division revenues.
(3) DOS includes revenues from directly operated Flos and B&B stores.
(4) Direct online includes revenues from Flos' U.S. e-commerce website and LP's direct e-commerce websites in Denmark, Sweden, Norway and Germany.

We operate directly or indirectly in more than 80 countries around the world. The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by geography:



(1) Nordics includes Denmark, Sweden, Norway and Finland.
(2) Other APAC includes New Zealand and Australia.

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

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of each of our companies, including expanding or revamping websites and focusing on driving customer engagement through digital

channels, with an inbound marketing tool for business-to-business ("**B2B**") lead generation introduced at Flos, a new customer relationship management ("**CRM**") portal under development at B&B and a partner portal with associated sales application, content hub and loyalty program in development at Louis Poulsen. We are continuing to invest in the digitalization of our business model in order to create and support direct relationships with current and future clients and enable us to access a new younger, affluent and urban customer base.

We believe that the combination of the businesses and brands present opportunities for revenue synergies, including through the selective expansion of the store network, cross-selling among brands, new retail concepts that include products from all three brands, a combined project team within the contract channel that will be well placed to deliver technical and design knowledge across a variety of sectors utilizing complementary combinations of Flos, Louis Poulsen and B&B products, and a joint e-commerce initiative. We expect that the integration of certain administrative functions of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the development of a combined IT platform, the implementation of an efficient inventory and receivables management program and the expansion of B&B's headquarters in Novedrate to support business growth, while maintaining the unique, individual design identity that characterizes each brand. See "*—Our Strategies—Drive operational excellence and maximize synergy deployment from Group integration*". Additionally, we believe the Italian and Danish design philosophies underpinning our brands are complementary and maintain distinctive appeal to customers.

Significant Factors Affecting the Results of Operations of the Group

General Economic and Industry Conditions

Our business is dependent on the demand for high-end furniture and lighting products, especially in Europe and the Americas, which make up a significant portion of our revenue. Demand for our products is in part affected by general economic conditions, consumer confidence and spending patterns. Changes in general economic conditions directly impact the levels of spending by consumers and businesses on discretionary products, such as high-end furniture and lighting solutions. See "*Risk Factors—We are affected by general economic conditions worldwide, and unfavorable economic conditions could result in a decline in the demand for our products and a material adverse effect on our financial performance".* Between 2007 and 2009, as a result of the global recession, the market contracted by approximately 9% on a compound annual basis, driven by the tightening of available credit and the decline in real estate development. Thereafter, the market recovered and has steadily grown, surpassing pre-crisis levels in 2015. Before the global recession, the market grew at a CAGR of approximately 5% and between 2009 and 2013 at a CAGR of approximately 2%. From 2013 to 2017, global market growth accelerated with a CAGR of approximately 5%, reaching approximately €35 billion in retail value in 2017. In addition to being positively affected by improving global economic conditions following the crisis, the high-end design market has also generally benefited from a growing population of luxury consumers and from the "westernization" of Asian consumers' taste, which has further contributed to the expansion of certain high-growth Asian markets, in particular China.

For the periods under review, such factors, together with the growth of the global economy and of most markets where B&B, Flos and Louis Poulsen operate, in particular Europe, have positively contributed to the growth of each of the three businesses. Total revenues of B&B, Flos and Louis Poulsen grew from €164.5 million, €180.9 million and DKK 716 million (€96.0 million), respectively, for the year ended December 31, 2015 to €208.4 million, €219.4 million and DKK 794 million (€106.7 million), respectively, for the twelve months ended June 30, 2018. As to Flos, the revenue of the Decorative business division, which was not affected by the acquisitions of Lukas Lighting and Ares in 2015 and Flos Projets (previously KKDC) in 2017, increased from €79.8 million in 2015 to €94.7 million for the twelve months ended June 30, 2018. As to B&B, revenue excluding Arclinea, which B&B acquired in September 2016, increased from €164.5 million in 2015 to €193.5 million for the twelve months ended June 30, 2018.

For a description of the key drivers of growth in the high-end design market, see "*Industry and Market Data*".

Key Revenue and Cost Drivers by Sales Channel

We sell our products through, and generate our revenue from, four sales channels:

(i) *Wholesale.* Our wholesale channel, which generated 66.0% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, comprises over 4,700 brick-and-mortar stores located around the world, as well as online third party retailers. In addition to these dealers, our customer base in the wholesale channel includes distributors and agents. The end customers of such channel are highly diversified and include consumers, Specifiers (such as architects, designers, contractors, developers, etc.) and corporate customers. Revenue generated in the wholesale channel reflects a discount on the retail price of our products which represents our customers' profit.

(ii) *Contract.* Our contract channel, which generated 26.7% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, delivers bespoke design services for both residential and commercial customers, either directly or through Specifiers, utilizing products from our catalogues, custom-made products and, whenever required by the project, third-party products. Large "fit-out" projects in the contract channel normally generate significant revenue streams, although depending on the complexity and level of customization of each project, variable costs may be higher than in our other sales channels. In Flos Contract channel, royalty payments are normally lower than in the Wholesale channel, as Architectural products, which are primarily sold through the Contract channel, are less subject to royalty and compared to Decorative products, which are primarily sold through the Wholesale channel.

(iii) *Directly-Operated Stores* ("**DOS**"). Our DOS channel, which generated 6.8% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, comprises retail stores of Flos and B&B that are directly managed from our headquarters. Our customers in such channel are normally consumers and Specifiers to which we sell our products directly. Accordingly, on the one hand, we have direct pricing control and our revenue, unlike the wholesale channel, reflects the end price of our products. On the other hand, in our DOS channel, we incur fixed costs in connection with our stores that we do not have in our wholesale channel. The impact that such fixed costs have on our margins primarily depends on the location, geographic area and dimension of the relevant DOS.

(iv) *Direct online*. Our direct online channel, which generated 1.0% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, consists of e-commerce websites selling products from each of Flos and Louis Poulsen. Our customers in such channel are normally consumers, architects and designers, to which we sell our products directly. Similarly to our DOS channel, we have direct pricing control in our online channel and our revenue reflects the end price of our products. Moreover, online sales do not require the operation of a physical store and transportation costs are normally borne by the customers.

Research and Product Development and Technological Innovation

Maintaining the appeal of our products to existing customers and attracting new customers depends in part on our ability to reflect prevailing trends and adapt to evolving customer taste and technology. Our investments in research and product development and technological innovation have allowed us to introduce new products, or updates to existing products, that we believe are high quality, aesthetically appealing, suited to our customers' needs and equipped with the latest technology. We continue to invest in research and product development and technological innovation. To that end, B&B incurred €2.4 million on product development in 2015, €2.5 million in 2016 and €3.0 million in 2017, Flos incurred €3.1 million in 2015, €3.2 million in 2016 and €3.4 million in 2017 (of which €1.9 million, €2.2 million and €2.3 million were capitalized in the respective years) and Louis Poulsen incurred DKK 25 million (€3.4 million) in 2015 (of which DKK 6 million (€0.8 million) was capitalized), DKK 30 million (€4.0 million) in

2016 (of which DKK 11 million (€1.5 million) was capitalized) and DKK 31 million (€4.2 million) in 2017 (of which DKK 12 million (€1.6 million) was capitalized).

Product development expense reflects the timing for the preparations required to build up the new catalogue of products ahead of product launches and, more generally, tend to increase in connection with key design industry events which are primarily concentrated in the spring, such as the Salone Internazionale del Mobile, which is held in Milan in April of each year and is particularly important for B&B, and other key lighting and luxury design fairs, such as Euroluce, held every two years within the Salone Internazionale del Mobile in Milan, Light + Building, held every two years in Frankfurt, and ICFF, held every year in New York. Louis Poulsen's product development expenses also vary throughout the year based on its product development cycle, which is focused on the introduction of new products every September and February (see "*—Louis Poulsen—Significant Factors Affecting the Results of Operations of Louis Poulsen—Seasonality*"). During the internal preparation phases that precede each new product launch phase, product development expenses are normally higher as prototypes are developed, supply chains are engaged, production lines are prepared and marketing content is deployed to the sales force.

Product development costs are also driven by changes in technology, particularly within our lighting businesses. For example, a key focus in the lighting industry in recent years has been the transition to LED technology, with most of Flos and Louis Poulsen's products now LED-compatible. Although the trend towards LED products provides benefits, including lower manufacturing costs, ease of large scale production and high versatility, the transition to LED required a significant product development effort and investment over several years, starting from approximately 2010.

Despite the continuing popularity of some of our older iconic designs, the rate at which we are able to introduce new products across all of our brands, and the related investments in product development we are required to make, remain key drivers affecting our results of operations, with each of B&B, Flos and Louis Poulsen generating 40.8%, 29.4% and 25.9% of their revenue for the twelve months ended June 30, 2018, respectively, from the sale of products which each company introduced during the last five years.

Flos

Business Divisions and Geographical Area Financial Information

Flos operates through four main business divisions, each of which is ascribable to a distinct Flos group company: (i) *Decorative*, which represents the historic core business of Flos, developed and produced by the parent company of the Flos group (Flos S.p.A.); (ii) *Architectural*, developed and produced by the Spanish subsidiary Antares; (iii) *Outdoor*, developed and produced by the Italian subsidiary Ares, acquired by Flos in 2015; and (iv) *Custom*, developed and produced by the Italian subsidiary Light Contract S.r.l. and by the Custom division of Flos USA Inc. We present in this Offering Memorandum certain financial information on Flos business lines, including a revenue breakdown for the periods under review.

For the purposes of providing additional insight to understand and analyse the performance of Flos' business and its international footprint, we also present certain financial information regarding the markets where Flos operates, including a revenue breakdown for the periods under review by geographical area, whereby revenue is allocated by destination market of the goods. The financial information regarding Flos geographical areas presented herein does not match the geographical revenue split presented in the notes to the Flos Consolidated Financial Statements, where only Italy, EEA and Rest of World revenue is presented.

The financial information regarding Flos' business divisions and geographical areas is presented herein to facilitate the understanding of Flos' business. However, such information has not been audited or reviewed by Flos auditors or any other financial advisors and is not included in Flos Consolidated Financial Statements.

Significant Factors Affecting Results of Operations of Flos

Product and Business Line Mix

Flos results of operations are in part affected by the mix of products that it sells, as different products, or similar products sold through different business lines, can carry different price points and generate different gross margins.

In particular, the Decorative business line, which was the largest contributor to Flos total revenue for all the periods under review, normally delivers the highest gross industrial margins (*i.e.* after deducting cost of goods sold and other direct industrial costs). Revenue from the Decorative business line significantly increased for the periods under review, from €79.8 million in 2015 to €88.4 million in 2016, €92.7 million in 2017 and €94.7 million for the twelve months ended June 30, 2018, primarily due to the launch of new products (including the Bonjour in 2016, the Superloon in 2017 and Arrangements in 2018) and to Flos' continuous commercial and promotional efforts. The Architectural and Outdoor business lines' gross margins are typically moderately lower, although gross margins in the Architectural business line may vary quite significantly from project to project, depending on, among other things, the location, size and complexity of the project and the related industry (*e.g.* fashion luxury, hospitality, retail, sports and leisure, airports, etc.).

The profitability of the Custom business line, which was the smallest contributor to Flos total revenue for all the periods under review (8.3% for the twelve months ended June 30, 2018), was on average lower than the other divisions for the periods under review primarily related to the fact that Lukas Lighting, one of Flos' subsidiaries operating in the Custom division, was acquired by Flos only in November 2015 and went through an integration process.

At the contribution margin level (i.e. after deducting the variable selling costs) all of Flos' business divisions deliver similar profitability levels, as the Decorative division normally incurs higher variable selling costs than the other divisions, typically related to royalties and transportation costs. In addition, sales generated by Flos DOS, which contribute to Flos' total revenue only to a very limited extent, may yield higher or lower gross margins than Flos wholesale channel, primarily depending on the performance of the individual store, as well as the impact of the fixed costs associated with the leases of the real estate property where Flos stores are located which vary by market and the size of the individual store. In addition, gross margins in the wholesale channel are impacted by the wholesalers' profit and, to the extent applicable, the relevant agents' or distributors' commissions, which are not applicable in the retail channel where Flos sells directly to consumers.

Supply Chain and Sourcing

Flos outsources almost all of its manufacturing requirements to carefully selected third-party assemblers, with a majority of production on a make-to-order basis in order to preserve cost efficiencies regarding the wide range of techniques and materials required for the manufacture of Flos products. Within the Decorative and Architectural divisions, manufacturing is mostly outsourced and assembly is almost entirely outsourced. Production levels of Decorative products are based on a forecast of sales volumes at stock keeping unit ("**SKU**") level which is normally made on a yearly basis, but such forecast is then adjusted on a more frequent basis throughout the year based on actual demand with a very short lead time, as Decorative products (as well as certain readily available Architectural products) can usually be delivered in approximately 48 hours. In the Architecture and Custom divisions, production is done on order and new products are usually delivered in approximately 18 to 20 days from the day the customer places the order. Within the Outdoor division, manufacturing is entirely internal and assembly is almost entirely internal. Production takes place to order and new products can usually be delivered in approximately 18 to 20 days. The outsourcing of most manufacturing processes lowers Flos' fixed cost base, which results in high operational and financial flexibility, as Flos may adapt to customers' demand by increasing or decreasing production, without a significant impact on margins. Flos' key variable costs include sourcing costs (*i.e.* costs for electronic components, raw materials (*e.g.* glass, plastic, iron, stainless steel and aluminium), painting processes, product

assembly and costs for the purchase of finished goods from Asia), royalties and commissions paid to designers and agents, respectively, and transportation costs.

Flos contracts with a diverse group of non-exclusive suppliers to provide the raw materials and finished products it requires. Suppliers and assemblers are carefully selected mainly according to their technical capacity, quality, finance reliability and cost and are usually located in the proximity of Flos' facilities to minimize transportation costs and timing. Flos contracted with approximately 600 suppliers in 2017, with no one supplier accounting for more than 5% of total sourcing value.

Fluctuation of raw material and components prices affects Flos' business to a limited extent, primarily because the cost of raw materials and components normally represents a relatively small portion of the price of Flos' products and Flos has historically been able to pass any such increases on to customers.

Investments in Communication and Marketing

We focus our communication and marketing efforts on four main areas of focus: brand experience, sales support, B2B relationships and customer relationships. For additional information on such focus areas, see "*Our Business—Flos—Marketing*". We have invested and continue to invest in communication and marketing as a key part of our business strategy. For the years ended December 31, 2015, 2016 and 2017, Flos invested €4.6 million, €3.9 million and €4.5 million in marketing. Flos has budgeted 20% of its marketing spend for digital channels for the year ending December 31, 2018, and Flos expects this will increase to 40% by the year ending December 31, 2020.

Factors Affecting the Comparability of the Results of Operations of Flos

Add-on Acquisitions

Flos' operating results and their comparability for the periods under review are impacted by the effects of certain bolt-on acquisitions, particularly the acquisition of:

- Lukas Lighting Inc. ("**Lukas Lighting**"), a New York City-based company specialized in sophisticated custom lighting products, in November 2015, for a total consideration of €6.9 million;
- Ares S.r.l. ("**Ares**"), an Italian manufacturer of outdoor lighting products, in June 2015, for a total consideration of €55.9 million; and
- KKDC S.à r.l. (later renamed Flos Projets S.à r.l.) ("**Flos Projets**"), a French distributor of LED lighting products, in April 2017, for a total consideration of €1.3 million.

The acquisitions of both Lukas Lighting and Flos Projets were funded with cash from operations, while the acquisition of Ares was funded through a combination of debt (€30.0 million), a share capital increase funded by Flos' shareholders (€20.0 million) and cash from operations (approximately €6 million).

Given Ares and Lukas Lighting became part of the Flos' group consolidation perimeter as of July and December 2015, respectively, and the full-year effect of these acquisitions were therefore not reflected in Flos' results of operations for the year ended December 31, 2015, investors should exercise caution when comparing Flos' results of operations for the year ended December 31 2015 and more recent periods. In particular, partly as a result of these acquisitions, Flos' revenue increased by €28.2 million (or 15.8%) from €178.6 million in 2015 to €206.8 million in 2016. However, Flos estimates that, had Ares and Lukas Lighting been part of Flos' consolidation perimeter as of January 1, 2015, Flos' revenue would have increased by approximately 5% from 2015 to 2016. Furthermore, Flos estimates that, without considering the revenue contribution of Flos Projets in 2017 (€4.5 million), Flos' revenue would have increased by approximately 1% from 2016 to 2017.

Flos believes that these acquisitions have enabled it to expand its business in terms of number of customers, market segments and geographic coverage, while also enriching its product offering.

In particular, the acquisition of Lukas Lighting has supported the expansion of the Flos Custom division, particularly in the U.S. market, the acquisition of Flos Projets has strengthened Flos' distribution network in France and the acquisition of Ares has enabled Flos to expand its Outdoor division, which accounted for 11.1% of Flos' revenues for the year ended ended December 31, 2017, compared to 7.8% for the year ended December 31, 2015. Flos believes that these acquisitions have generated synergies for its business and have contributed to its organic growth over the periods under review.

Key Income Statement Items

Revenues

Revenues represents sales of products and services. Revenues are generally recognized at the date on which the relevant amount can be reliably determined, regardless of the date of collection. Revenues are recognized net of sales discounts are measured at the fair value of consideration received or to be received, taking into account the contractually defined terms of payment and excluding taxes and duties. With respect to the sale of goods, revenues are recognized when the company has transferred all significant risks and benefits connected with ownership of the good to the purchaser, typically the date of delivery.

Other revenues and income

Other revenues and income mainly include the income from transportation cost recharged to customers as well as other cost recharges and, to a lesser extent, from certain non-core business activities, such as rental income, insurance repayments, revenue for transport, capital gains from asset disposals and other items.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories represent purchases of raw materials, works in progress, finished products and promotion and advertising materials, as well as any changes in value of long-term contracts or inventories of raw materials, works in progress and semi-finished and finished goods.

Personnel costs

Personnel costs represent wages and salaries, social security contributions, employee severance indemnities and pensions, as well as other personnel costs incurred in the ordinary course of business.

Service costs

Service costs represent costs for subcontracted production work, fees and royalties for advertising and communications, transport and customs costs, maintenance and ancillary costs, professional consultant fees and other costs for external services.

Provisions

Provisions represent amounts set aside for pension funds and business risks.

Other costs and charges

Other costs and charges primarily represent property rents and rental and leasing fees, as well as other administrative costs.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs represent depreciation charges on tangible assets, amortization charges on intangible assets and other write-downs. Depreciation is booked monthly on a straight-line basis starting from the month when the asset is available for use or potentially able to provide the economic benefits associated with it. Intangible fixed assets are amortized along their useful life, with the amortization period and method reconsidered at least at the end of each year. Profits or losses arising from the elimination of an intangible fixed asset

are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognized on the profit and loss statement of the year in which the elimination occurs. Financial assets are tested for impairment at every balance sheet date with write-downs recorded in the profit and loss statement when a loss event takes place that has an impact on the future estimated cash flows of the financials assets, if such impact can be reliably estimated.

Financial income

Financial income represents interest on receivables and changes in fair value of financial instruments.

Financial charges

Financial charges represent interest expense and other financing costs.

Income taxes

Current income taxes are based on the amount expected to be recovered from or paid to the tax authorities. The rates used to calculate these amounts are those in effect on the year-end date in the countries in which Flos operates and generates taxable income, taking into account the use of any prior tax losses. Management periodically assesses the position taken in income tax returns in cases in which tax laws are subject to interpretation and, where appropriate, allocates provisions.

Flos Results of Operations—Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

IFRS	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Revenues	105.0	107.9	2.9	2.8
Other revenues and income	1.4	1.5	0.1	7.1
Total revenues	**106.4**	**109.4**	**3.0**	**2.8**
Purchases of raw materials and variation in inventories	(32.6)	(32.1)	(0.5)	(1.5)
Personnel costs	(17.1)	(18.5)	1.4	8.2
Service costs	(29.1)	(31.3)	2.2	7.6
Provisions	(0.6)	(0.6)	—	—
Other costs and charges	(2.7)	(2.8)	0.1	3.7
Total costs	**(82.1)**	**(85.3)**	**3.2**	**3.9**
Amortization, depreciation and write-downs	(4.3)	(4.3)	—	—
Operating Profit	**20.0**	**19.8**	**(0.2)**	**(1.0)**
Financial income	0.3	0.5	0.2	66.7
Financial charges	(6.3)	(5.4)	(0.9)	(14.3)
Profit/(loss) before tax coming from continuing operations	**14.0**	**14.9**	**0.9**	**6.4**
Income taxes	(4.3)	(3.7)	(0.6)	14.0
Net profit/(loss) coming from continuing operations	**9.6**	**11.2**	**1.6**	**16.7**

Revenues

Revenues increased by €2.9 million, or 2.8%, to €107.9 million for the six months ended June 30, 2018 from €105.0 million for the six months ended June 30, 2017, primarily due to the positive performance of all the divisions, including the revenue contribution of Flos Projets, acquired in April 2017, which generated €4.3 million of revenue in the first half of 2018, compared to €1.5 million in the first half of 2017 from its first-time consolidation in April of such year.

Flos' revenues per business division for the six month periods ended June 30, 2017 and 2018 were as follows:

IFRS	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Decorative	45.3	47.3	2.0	4.4
Architectural	39.1	39.7	0.6	1.5
Custom	8.8	8.8	—	—
Outdoor	11.8	12.1	0.3	2.5
Revenues	**105.0**	**107.9**	**2.9**	**2.8**

Revenue from the Decorative division increased by €2.0 million, or 4.4%, to €47.3 million for the six months ended June 30, 2018 from €45.3 million for the six months ended June 30, 2017, primarily driven by the good performance of the Italian, French and Swedish markets. Revenue from the Architectural division marginally increased by €0.6 million, or 1.5%, to €39.7 million for the six months ended June 30, 2018 from €39.1 million for the six months ended June 30, 2017. Revenue from the Custom division was substantially stable for the two periods. Revenue from the Outdoor division increased by €0.3 million, or 2.5%, to €12.1 million for the six months ended June 30, 2018 from €11.8 million for the six months ended June 30, 2017.

Flos revenues per geographic area for the six months ended June 30, 2017 and 2018 were as follows:

IFRS	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Italy	20.3	21.4	1.1	5.4
Rest of Europe	54.8	53.5	(1.3)	(2.4)
Americas	12.8	15.3	2.5	19.5
APAC	16.4	16.8	0.4	2.4
Rest of World	0.7	0.9	0.2	28.6
Revenues	**105.0**	**107.9**	**2.9**	**2.8**

Revenue growth was mainly driven by the Americas, increasing by 19.5% or €2.5 million from €12.8 million for the six months ended June 30, 2017 to €15.3 million for the six months ended June 30, 2018, as a consequence of a particularly good performance in that area in the first half of 2018, compared to a poor performance in the first half of 2017 primarily due to the acquisition of Lukas Lighting in November 2015, following which, over the entire course of 2016, a reorganization of the U.S. salesforce was implemented, and the impact of such reorganization, together with the replacement of the CEO of Flos USA Inc. in such year, extended to the first half of 2017. In addition, revenue from Italy increased by €1.1 million, or 5.4%, partially offset by the €1.3 million (or 2.4%) decrease of revenue from Rest of Europe.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories decreased by €0.5 million, or 1.5%, to €32.1 million for the six months ended June 30, 2018 from €32.6 million for the six months ended June 30, 2017, primarily due to a more favorable sales mix consisting of more profitable products in the first half of 2018 compared to the same period in the previous year. As a percentage of total revenues, purchases of raw materials and variation in inventories decreased from 30.6% for the six months ended June 30, 2017 to 29.3% for the six months ended June 30, 2018.

Personnel costs

Personnel costs increased by €1.4 million, or 8.2%, to €18.5 million for the six months ended June 30, 2018 from €17.1 million for the six months ended June 30, 2017, primarily due to higher salaries and associated costs deriving from the increase in the number of personnel.

Service costs

Service costs increased by €2.2 million, or 7.6%, to €31.3 million for the six months ended June 30, 2018 from €29.1 million for the six months ended June 30, 2017. As a percentage of total revenues, service costs increased from 27.3% for the six months ended June 30, 2017 to 28.6% for the six months ended June 30, 2018. This trend was mainly driven by the inclusion in the first half of 2018 of €1.2 million costs related to Flos' group management incentive plan (reflected at its fair value at the reference date).

Provisions

Provisions remained stable between the six months ended June 30, 2018 and 2017 at €0.6 million.

Other costs and charges

Other costs and charges increased by €0.1 million, or 3.7%, to €2.8 million for the six months ended June 30, 2018 from €2.7 million for the six months ended June 30, 2017.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs remained stable between the six months ended June 30, 2018 and 2017 at €4.3 million.

Financial income

Financial income increased by €0.2 million, or 66.7%, to €0.5 million for the six months ended June 30, 2018 from €0.3 million for the six months ended June 30, 2017, primarily due to the exchange gain related to a more favorable exchange rate between the euro and the U.S. dollar.

Financial charges

Financial charges decreased by €0.9 million, or 14.3%, to €5.4 million for the six months ended June 30, 2018 from €6.3 million for the six months ended June 30, 2017, primarily due to the voluntary repayment in 2017 of €20.0 million of indebtedness under the Flos Existing Senior Facilities that resulted in lower interest expense for the six months ended June 20, 2018 compared to the same period in the previous year.

Income taxes

Income taxes decreased by €0.6 million, or 14.0%, to €3.7 million for the six months ended June 30, 2018 from €4.3 million for the six months ended June 30, 2017, primarily due to higher deductible costs that generated a positive effect of €0.4 million.

Flos Results of Operations—Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

IFRS	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Revenues	206.8	212.6	5.8	2.8
Other revenues and income	3.0	3.8	0.8	26.7
Total revenues	**209.8**	**216.4**	**6.6**	**3.1**
Purchases of raw materials and variation in inventories	(62.6)	(63.9)	1.3	2.1
Personnel costs	(33.1)(1)	(35.5)	2.4	7.3
Service costs	(54.7)(1)	(56.7)	2.0	3.7
Provisions	(1.5)	(1.1)	(0.4)	(26.7)
Other costs and charges	(5.4)	(5.6)	0.2	3.7
Total costs	**(157.3)**	**(162.8)**	**5.5**	**3.5**
Amortization, depreciation and write-downs	(8.1)	(8.8)	0.7	8.6
Earnings before interest and taxes (EBIT)	**44.4**	**44.8**	**0.4**	**0.9**
Financial income	0.9	0.6	(0.3)	(33.3)
Financial charges	(14.1)	(12.9)	(1.2)	(8.5)
Profit/(loss) before tax coming from continuing operations	**31.2**	**32.5**	**2.3**	**4.2**
Income taxes	(6.7)	(9.0)	2.3	34.3
Net profit/(loss) coming from continuing operations	**24.5**	**23.5**	**(1.0)**	**(4.1)**

(1) Personnel costs and Service costs for the year ended December 31, 2016 presented in this table are derived from the 2016 comparative income statement contained in Flos 2017 Consolidated Financial Statements and differ from Personnel costs and Service costs presented in Flos 2016 Consolidated Financial Statements (€31.6 million and €56.2 million, respectively). These have been reclassified in the table above as a result of a different accounting treatment of salary payments to certain employees of Lukas Lighting, which Flos acquired in November 2015.

Revenues

Revenues increased by €5.8 million, or 2.8%, to €212.6 million for the year ended December 31, 2017 from €206.8 million for the year ended December 31, 2016, primarily due to the successful launch of new Decorative products, as well as the acquisition of Flos Projets in April 2017, which, since its consolidation, generated €4.7 million of revenue in such period.

Flos' revenues per business division for the year ended December 31, 2016 and 2017 were as follows:

IFRS	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Decorative	88.4	92.7	4.3	4.9
Architectural	74.9	78.5	3.6	4.8
Custom	19.7	17.8	(1.9)	(9.6)
Outdoor	23.8	23.6	(0.2)	(0.8)
Revenues	**206.8**	**212.6**	**5.8**	**2.8**

Revenue from the Decorative division increased by €4.3 million, or 4.9%, to €92.7 million for the year ended December 31, 2017 from €88.4 million for the year ended December 31, 2016, due to, among other things, new product launches (e.g. Superloon, Captain Flint, Bonjour and Mini Taccia). Revenue from the Architectural division increased by €3.6 million, or 4.8%, to €78.5 million for the year ended December 31, 2017 from €74.9 million for the year ended December 31, 2016, driven by a positive performance of the Italian, United Arab Emirates and the

U.S. markets. Revenue from the Custom division decreased by €1.9 million, or 9.6%, to €17.8 million for the year ended December 31, 2017 from €19.7 million for the year ended December 31, 2016, primarily due to the negative performance of Lukas Lighting (the Custom division of Flos USA Inc.), which was partially offset by the revenue contribution of Flos Projets, acquired by Flos in April 2017. Revenue from the Outdoor division marginally decreased from €23.6 million for the year ended December 31, 2017 to €23.8 million for the year ended December 31, 2016.

Flos revenues per geographic area for the year ended December 31, 2016 and 2017 were as follows:

IFRS	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Italy	37.3	39.3	2.0	5.4
Rest of Europe	103.1	108.4	5.3	5.1
Americas	31.6	28.6	(3.0)	(9.5)
APAC	33.5	34.9	1.4	4.2
Rest of World	1.3	1.4	0.1	7.7
Revenues	**206.8**	**212.6**	**5.8**	**2.8**

Revenue growth in the year ended December 31, 2017 was mainly driven by a strong performance of Italy and Rest of Europe, where revenue increased by 5.4% and 5.1%, respectively. Such positive trend was partially offset by a negative performance of the Americas, where revenue declined by 9.5% mainly in the Custom collection, primarily sold through the Contract channel.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories increased by €1.3 million, or 2.1%, to €63.9 million for the year ended December 31, 2017 from €62.6 million for the year ended December 31, 2016, primarily reflecting the growth of Flos sales volumes, which resulted in increased sourcing costs. As a percentage of total revenues, purchases of raw materials and variation in inventories were substantially stable at 29.5% for the year ended December 31, 2017, compared to 29.8% for the year ended December 31, 2016.

Personnel costs

Personnel costs increased by €2.4 million, or 7.3%, to €35.5 million for the year ended December 31, 2017 from €33.1 million for the year ended December 31, 2016, primarily due to the increase in the number of our employees (586 as of December 31, 2016 compared to 605 as of December 31, 2017), including as a result of the acquisition of Flos Projets and the related ten employees.

Service costs

Service costs increased by €2.0 million, or 3.7%, to €56.7 million for the year ended December 31, 2017 from €54.7 million for the year ended December 31, 2016, primarily attributable to the €1.4 million increase in subcontract work and services for production and the €1.3 million increase in commissions, royalties, advertising and communication expenses, both mainly reflecting the growth of the business, which were partially offset by a €1.1 million decrease in training, banking and administration services.

Provisions

Provisions decreased by €0.4 million, or 26.7%, to €1.1 million for the year ended December 31, 2017 from €1.5 million for the year ended December 31, 2016, primarily due to the €0.3 million decrease in the provisions for pension funds, reflecting utilization for personnel who left the company in the period.

Other costs and charges

Other costs and charges were substantially stable at €5.6 million for the year ended December 31, 2017 compared to €5.4 million for the year ended December 31, 2016.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs increased by €0.7 million, or 8.6%, to €8.8 million for the year ended December 31, 2017 from €8.1 million for the year ended December 31, 2016, primarily due to a €0.4 million increase in amortization of intangible fixed assets and a €0.2 million increase in depreciation of tangible fixed assets.

Financial income

Financial income marginally decreased by €0.3 million, or 33.3%, to €0.6 million for the year ended December 31, 2017 from €0.9 million for the year ended December 31, 2016.

Financial charges

Financial charges decreased by €1.2 million, or 8.5%, to €12.9 million for the year ended December 31, 2017 from €14.1 million for the year ended December 31, 2016, primarily due to a partial repayment of indebtedness outstanding under the Flos Existing Senior Facilities for an amount of €26.7 million in 2017 which resulted in decreased interest for such period, which was partially offset by an increase in exchange losses of €0.6 million compared to the previous year.

Income taxes

Income taxes increased by €2.3 million, or 34.3%, to €9.0 million for the year ended December 31, 2017 from €6.7 million for the year ended December 31, 2016, primarily due to the increased taxable income in 2017, partially offset by the decrease of tax rate applicable to Italian companies (IRES) from 27.5% to 24.0% as from January 1, 2017.

Flos Results of Operations—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

IFRS	Year ended December 31,		Change	
	2015	2016	€	%
	in € million		in million	
Revenues	178.6	206.8	28.2	15.8
Other revenues and income	2.3	3.0	0.7	30.4
Total revenues	**180.9**	**209.8**	**28.8**	**15.9**
Purchases of raw materials and variation in inventories	(53.5)	(62.6)	9.1	17.0
Personnel costs	(27.1)	(33.1)[(1)]	6.0	22.1
Service costs	(50.1)	(54.7)[(1)]	4.6	9.2
Provisions	(1.3)	(1.5)	0.2	15.4
Other costs and charges	(5.0)	(5.4)	0.4	8.0
Total costs	**(137.0)**	**(157.3)**	**20.3**	**14.8**
Amortization, depreciation and write-downs	(7.5)	(8.1)	0.6	8.0
Earnings before interest and taxes (EBIT)	**36.4**	**44.4**	**8.0**	**22.0**
Financial income	1.0	0.9	(0.1)	(10.0)
Financial charges	(12.9)	(14.1)	1.2	9.3
Profit/(loss) before tax coming from continuing operations	**24.5**	**31.2**	**6.7**	**27.3**
Income taxes	(3.0)	(6.7)	3.7	123.3
Net profit of discontinued operations	(0.1)	—	(0.1)	100.0
Net profit/(loss) coming from continuing operations	**21.6**	**24.5**	**2.9**	**13.4**

(1) Personnel costs and Service costs for the year ended December 31, 2016 presented in this table are derived from the 2016 comparative income statement contained in Flos 2017 Consolidated Financial Statements and differ from Personnel costs and Service costs presented in Flos 2016 Consolidated Financial Statements (€31.6 million and €56.2 million, respectively). These have been reclassified in the table above as a result of a different accounting treatment of salary payments to certain employees of Lukas Lighting, which Flos acquired in November 2015.

Revenues

Revenues increased by €28.2 million, or 15.8%, to €206.8 million for the year ended December 31, 2016 from €178.6 million for the year ended December 31, 2015, primarily due to the acquisition of Ares and Lukas Lighting which have been consolidated in Flos' perimeter since July and December 2015, respectively. Had such companies been consolidated as of January 1, 2015, Flos estimates that revenue would have increased by approximately 5% from 2015 to 2016, primarily as a result of the launch of new products in 2016, including Bonjour and Captain Flint.

Flos' revenues per business division for the year ended December 31, 2015 and 2016 were as follows:

IFRS	Year ended December 31,		Change	
	2015	2016	€	%
	in € million		in million	
Decorative	79.8	88.4	8.6	10.8
Architectural	74.5	74.9	0.4	0.5
Custom	10.4	19.7	9.3	89.4
Outdoor	13.9	23.8	9.9	71.2
Revenues	**178.6**	**206.8**	**28.2**	**15.8**

Revenue from the Decorative division increased by €8.6 million, or 10.8%, to €88.4 million for the year ended December 31, 2016 from €79.8 million for the year ended December 31, 2015, primarily due to the launch of a number of new products. Revenue from the Architectural division marginally increased by €0.4 million, or 0.5%, to €74.9 million for the year ended December 31, 2016 from €74.5 million for the year ended December 31, 2015. Revenue from the Custom division increased by €9.3 million, or 89.4%, to €19.7 million for the year ended December 31, 2016 from €10.4 million for the year ended December 31, 2015, primarily due to the acquisition of Lukas Lighting in November 2015, as well as the organic growth of the division related to new projects gained in the period. Revenue from the Outdoor division also significantly increased by €9.9 million, or 71.2%, to €23.8 million for the year ended December 31, 2016 from €13.9 million for the year ended December 31, 2015, primarily due to the acquisition of Ares in June 2015.

Flos revenues per geographic area for the year ended December 31, 2015 and 2016 were as follows:

IFRS	Year ended December 31,		Change	
	2015	2016	€	%
	in € million		in million	
Italy	29.3	37.3	8.0	27.3
Rest of Europe	97.4	103.1	5.7	5.9
Americas	23.6	31.6	8.0	33.9
APAC	26.5	33.5	7.0	26.4
Rest of World	1.8	1.3	(0.5)	27.8
Revenues	**178.6**	**206.8**	**28.2**	**15.8**

Except for Rest of World, where revenue decreased by €0.5 million (or 27.8%) from the year ended December 31, 2015 to the year ended December 31, 2016, all geographic areas performed well, primarily due to the acquisition of Lukas Lighting in November 2015, as to the Americas, and Ares in June 2015, as to the other areas.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories increased by €9.1 million, or 17.0%, to €62.6 million for the year ended December 31, 2016 from €53.5 million for the year ended

December 31, 2015. Apart from the effect related to the acquisitions, the increase was primarily attributable to increased sales volumes which resulted in increased costs for purchase of raw materials, work in progress and finished products. As a percentage of total revenues, purchases of raw materials and variation in inventories were substantially stable at 29.8% for the year ended December 31, 2016, compared to 29.6% for the year ended December 31, 2015.

Personnel costs

Personnel costs increased by €6.0 million, or 22.1%, to €33.1 million for the year ended December 31, 2016 from €27.1 million for the year ended December 31, 2015, primarily due to the impact on 2016 of the salaries paid to the personnel of Ares (approximately 80 individuals) and Lukas Lighting (approximately 40 individuals) that Flos acquired in June and November of 2015, respectively. As of December 31, 2015 Flos had 576 employees, compared to 586 December 31, 2016. As a percentage of total revenues, personnel costs marginally increased from 15.0% for the year ended December 31, 2015 to 15.8% for the year ended December 31, 2016.

Service costs

Service costs increased by €4.6 million, or 9.2%, to €54.7 million for the year ended December 31, 2016 from €50.1 million for the year ended December 31, 2015. As a percentage of total revenues, service costs decreased from 27.7% for the year ended December 31, 2015 to 26.1% for the year ended December 31, 2016, mainly due to the lower service costs incurred by the newly acquired companies compared to other companies of the Flos group and the impact on 2015 of due diligence and advisory costs in connection with the acquisition of Lukas Lighting and Ares in such year and the merger of Flos S.p.A. into its parent company, as a consequence of the acquisition of Flos by Investindustrial in 2014.

Provisions

Provisions marginally increased by €0.2 million, or 15.4%, to €1.5 million for the year ended December 31, 2016 from €1.3 million for the year ended December 31, 2015.

Other costs and charges

Other costs and charges increased by €0.4 million, or 8.0%, to €5.4 million for the year ended December 31, 2016 from €5.0 million for the year ended December 31, 2015, primarily due to increased rent relating to properties leased by Ares and Lukas Lighting.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs increased by €0.6 million, or 8.0%, to €8.1 million for the year ended December 31, 2016 from €7.5 million for the year ended December 31, 2015, primarily due to a €0.8 million increase in depreciation of tangible fixed assets.

Financial income

Financial income remained substantially stable at €0.9 million for the year ended December 31, 2016 compared to €1.0 million for the year ended December 31, 2015.

Financial charges

Financial charges increased by €1.2 million, or 9.3%, to €14.1 million for the year ended December 31, 2016 from €12.9 million for the year ended December 31, 2015, primarily due to a €0.6 million increase in financial charges due to the negative mark-to-market on the interest rate swap associated with the Flos Existing Senior Facilities. In addition, in 2016, Flos repaid €29 million of indebtedness under the Flos Existing Senior Facilities, including €20 million on a voluntary basis, €5 million due to excess cash flow as set out by the relevant credit agreement and €4 million of ordinary instalments. Such repayments resulted in decreased interest expense under the Flos Existing Senior Facilities for an amount of €0.3 million for the year ended December 31, 2016 compared to the previous year.

Income taxes

Income taxes increased by €3.7 million, or 123.3%, to €6.7 million for the year ended December 31, 2016 from €3.0 million for the year ended December 31, 2015, primarily due to the release of deferred taxes in connection with a change in tax rate from 27.5% to 24.0%.

Louis Poulsen

Presentation of Financial Information

The financial information of Louis Poulsen discussed in this section is presented in Danish kroner (DKK). For information regarding the exchange rate between DKK and the U.S. dollar and between DKK and euro, see "*Exchange Rate Information*".

In this Offering Memorandum, we have reclassified and renamed certain Danish GAAP line items of LP's income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed LP income statement and balance sheet line items presented herein differ from the corresponding income statement and balance sheet line items contained in the LP Consolidated Financial Statements included in the financial pages to this Offering Memorandum. Tables setting forth a reconciliation of the reclassified and renamed line items to corresponding line items in the LP Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex D. Danish GAAP differs in certain aspects from IFRS. For a discussion of the differences between Danish GAAP and IFRS, see "*Risk Factors—Risks Related to Our Financial Information—The B&B Consolidated Financial Statements are based on Italian GAAP and the Louis Poulsen Consolidated Financial Statements are based on Danish GAAP, and there may be differences between B&B's financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP, and between Louis Poulsen's financial position and results of operations prepared in accordance with Danish GAAP and IFRS or U.S. GAAP. In addition, should B&B decide to adopt IFRS as its accounting reporting method, this could potentially result in material changes to certain of B&B's financial information from the B&B information presented in this Offering Memorandum*" and Annex B. For an explanation of the key income statement items, see "*—Key Income Statement Items*".

Business Divisions and Geographical Area Financial Information

The business of the LP group is broken down into two business divisions: (i) B2C, which comprises sales to individual retail customers through third-party multi-brand points of sale and Louis Poulsen online store, and (ii) B2B, further broken down into Indoor and Outdoor, which comprises sales to professionals, such as architects, interior designers, lighting designers and businesses and public administrations. We present in this Offering Memorandum certain financial information on these two business divisions, including a revenue breakdown for the periods under review.

For the purposes of providing additional insight to understand and analyse the performance of LP's business and its international footprint, we also present certain financial information regarding the markets where LP operates, including a revenue breakdown for the periods under review by geographical area, whereby revenue is allocated by location of the customer. The financial information regarding LP geographical areas presented herein does not match the geographical revenue split presented in the notes to the LP Consolidated Financial Statements, where only Scandinavia, Rest of Europe and Rest of World revenue is presented.

The financial information regarding LP business divisions and geographical areas is presented herein to facilitate the understanding of LP's business. However, such information is derived from LP's management accounts, has not been audited or reviewed by LP auditors or any other financial advisors and is not included in the LP Consolidated Financial Statements.

Significant Factors Affecting the Results of Operations of Louis Poulsen

New Product Launches

Over the last three years, LP management has focused on increasing B2C revenue within the existing point of sale network through a program of accelerated product launches, consisting of both introductions of new product families and extensions of existing product lines, coupled with a significant decrease of the average time to market between product development and launch. The B2B division has benefited from the increased focus on product innovation in the B2C division, as both divisions have common themes and the accelerated product development program has primarily been focused on Indoor products that are distributed across both divisions.

Several of the new product families introduced in recent years target the underpenetrated affordable luxury segment, balancing the previously luxury-focused portfolio and enabling LP to diversify its customer base and reach a new category of customer previously unlikely to purchase its products. Existing product lines were also extended and limited editions produced in order to modernize iconic products, while simultaneously renewing interest in original versions. The extension of LP manufacturing capacity and other costs associated with the new product launches contributed to an increase in costs and capital expenditure for product development in absolute terms from DKK 22 million in 2015 to DKK 32 million for the twelve months ended June 30, 2018.

Between 2015 and 2017, LP launched approximately 14 products (including new product families and extensions of existing product lines) on average each year, compared to approximately seven products on average for each year from 2009 to 2014. Most launches have been highly successful and new products sold from 2015 have generated approximately DKK 115 million between 2015 to 2017, with the top two new products by revenue contribution (table lamp NJP and pendant Patera) introduced since 2015 generating more than DKK 67 million in such period. This strengthened focus on product development was a primary contributor to growth in B2C revenue at a CAGR of 11.2% from 2015 to 2017, as well as overall revenue growth of DKK 85 million from 2015 to 2017, representing a CAGR of 4.2%.

Expansion of Third-Party Points of Sale Network

Over the past three years, in addition to increase the rate of new product launches, LP management has been focused on supporting and expanding the global B2C customer base by increasing the number of third-party multi-brand points of sale.

Between 2014 and 2017, LP expanded into approximately 300 new third-party multi-brand points of sale through a combination of increased penetration of existing markets and entering new markets, reaching approximately 1,300 distribution points in 2017. The roll-out over such period was particularly intense in Germany, Austria, Switzerland and the Netherlands where LP added approximately 140 new stores to its distribution network. In addition, in 2017, LP upgraded 64 of its third-party multi-brand points of sale with new in-store concepts that were introduced to support increased sales per store, as compared to 22 upgraded third-party multi-brand points of sale in 2016. LP believes these efforts have positively contributed to the revenue growth of the B2C division from DKK 310 million in 2015 to DKK 351 million in 2016, DKK 429 million in 2017 and DKK 444 million for the twelve months ended June 30, 2018. Although operating expenses generally increased over the periods under review, from DKK 295.8 million in 2015 to DKK 301.0 million in 2016 to DKK 317.5 million in 2017, with a slight decrease to DKK 314.0 million for the twelve months ended June 30, 2018, as a percentage of revenue, operating expenses decreased slightly, from 41.6% in 2015 to 42.0% in 2016, 39.7% in 2017 and 39.5% for the twelve months ended June 30, 2018.

Increased Efforts on Marketing and Sales Functions

Over the periods under review, several initiatives have been implemented to increase efficiency and maximize the reach of LP sales and marketing functions. Such initiatives, most of which are still ongoing, have led, among other things, to the establishment of dedicated sales organizations serving a number of key markets between 2014 and 2017, with the result that all

markets in which LP is present now have dedicated sales organizations. LP also created an internal marketing division, with an increase in the number of full-time employees in marketing functions, as well as a digitalization and e-commerce department.

Significant efforts were made on improving the organization of the sales teams for the B2B and B2C business divisions. A "SalesForce" customer relationship management system was implemented to enable performance management of the sales teams and the results have been used to develop a sales excellence initiative, which has narrowed the scope of our sales teams activities, allowing them to focus on the day-to-day sales projects. The sales excellence initiative, the main aim of which is to increase the efficiency and effectiveness of LP's salesforce by way of, for example, adopting different sales strategies based on the various customer types, is currently being trialled in LP's B2B sales operations in Denmark. Finally, the sales teams were completely reorganized in the core markets of the United States and Central Europe, with a focus on establishing best in class sales organizations in markets that are key to the success of LP. See also "*—Reorganization of U.S. and DACH Operations*" below.

Product and Business Divisions Mix

LP results of operations are in part affected by the mix of products that it sells, as different product families (*e.g.* decorative products or general lighting products), or similar products sold through different business divisions, carry different price points and generate different gross margins. In particular, indoor products normally deliver the highest gross margins, especially when sold through the B2C division, whereas gross margins for outdoor products (which generated more than half of B2B revenues for the twelve months ended June 30, 2018) and non-decorative products (*i.e.* general design lighting products, both indoor and outdoor) are usually moderately lower. Sales of third-party products, primarily produced by Targetti, Focus Lighting and Prolicht, auxiliary products (*e.g.* poles for post tops), other components and services (*e.g.* freight), which are normally associated with the B2B division, are only residual and tend to generate the lowest margins. Over the periods under review, the product mix was primarily affected by an increase, both in absolute terms and as percentage of total revenue, in B2C sales, whereas B2B sales, and in particular outdoor products, decreased, primarily as a consequence of the discontinuation of Targetti products and the reorganization of the U.S. and DACH operations (see "*—Reorganization of U.S. and DACH Operations*" below).

Growth in B2C sales, which almost entirely relate to LP indoor decorative products, significantly contributed to the increase in gross margins over the periods under review, 2018, together with a number of other factors, including certain price increases that LP applied across its product offering. In particular, revenue from the B2C division significantly increased for the periods under review both in absolute terms (from DKK 310 million in 2015 to DKK 351 million in 2016, DKK 429 million in 2017 and DKK 444 million for the twelve months ended June 30, 2018) and as a percentage of total revenue (from 43.3% in 2015 to 46.7% in 2016, 53.6% in 2017 and 55.8% for the twelve months ended June 30, 2018).

Reorganization of U.S. and DACH Operations

Over the periods under review, LP implemented certain reorganization initiatives of its operations in the U.S. and the DACH region (comprising Germany, Austria, Holland and Switzerland) aimed at relaunching the business in those areas, increasing cost efficiency and maximing revenue generation potential.

In 2015, the U.S. manufacturing operations, which had been primarily focused on the production of B2B outdoor product lines from Targetti (the previous owner of LP until 2014), were relocated to Denmark, to increase the operational and cost efficiency of the manufacturing processes and improve the supply chain management for those products. In the same year, in addition to the relocation of the B2B outdoor product manufacturing processes from the U.S. to Denmark, LP reorganized its manufacturing organization and ceased local custom design activities, and in 2016 LP began a gradual reorganization of its sales force. These reorganization initatives resulted in several layoffs and voluntary resignations in these areas between 2016 and 2017, as well as a

temporary reduction in the manufacturing of outdoor products for the U.S. market, as the production was being relocated to Denmark and certain Targetti products were discontinued. B2B sales in the U.S. were particularly affected by these events for the periods under review. However, these actions also had a positive impact on costs, as the discontinued Targetti products and local custom design activities contributed negative EBIT.

In addition, in 2017 LP reorganized its sales organization in the DACH region to revitalize growth in those areas, mainly by increasing the focus on B2C products and discontinuing the sale of B2B outdoor Targetti products. As part of this initiative, Targetti sales representatives were replaced and a new salesforce was implemented. As a consequence, the product mix in the area changed, with decreasing B2B sales and increasing B2C sales, which positively affected margins.

Seasonality

LP has two main product launch phases, Spring (February to April) and Fall (September to October), during which new products are formally marketed and sold to the end customers. Each market launch phase is preceded by a corresponding internal preparation phase (November to January and May to August), during which marketing materials are deployed via the sales force to wholesalers, new products are sold internally to them, the supply chain is engaged based on demand estimates and the production lines are prepared and extended, to the extent required. Costs are generally higher during each internal preparation phase than in other periods of the year, as investments are made to obtain sufficient supplies of raw materials, prepare manufacturing facilities, manufacture new products and create and distribute marketing materials. Revenues are then higher during the external launch periods than in other periods of the year once products are formally introduced and distributed to retailers.

In addition to this product cycle, for the past three years and in line with historical trends, LP generated a substantial part of its annual revenue and more than half of its EBITDA, respectively, in the last four months of the year. LP management believes this seasonality of the revenue stream is primarily attributable to the fact that, especially in the Nordics, B2C customers are normally more inclined to purchase lighting products in the darker months of the year. In addition, B2C product purchases and associated revenues normally peak in connection with black Friday in November and the Christmas holiday season.

Price Increases and Cost Efficiency Measures

Efforts to optimize product pricing and reduce production costs have resulted in increased margins and have contributed to improvements in LP's results of operations over the periods under review. LP normally increases the prices of its products on an annual basis at levels that are considered reasonable, are generally higher than inflation rates and take into account a number of factors, including inflation, increases in sourcing costs, fluctuations of the exchange rate of the currencies of the various destination markets against the Danish krone. In addition, following an external market analysis conducted in 2017, LP determined that it had a greater scope to increase the prices of its products, beyond the standard annual adjustments. As a result, in January 2018, prices were adjusted across a range of LP products in the B2C division, primarily from the heritage range.

In addition to price increases, over the periods under review LP has implemented a number of improvements across the supply chain targeted at decreasing costs and operating expenses, ultimately resulting in higher margins. These improvements include, among other things, an increase in outsourced production for certain non-iconic, high-volume products, renegotiation of supply contracts with certain key suppliers of raw materials and product components, streamlining the supplier base, reducing packaging costs and eliminating certain higher-cost manufacturing activities in the U.S.

Digitalization of Business Model

Over the periods under review, LP made significant efforts to digitalize its business model, focusing on delivering a seamless customer experience across channels and developing a platform

from which to drive sales without significant increases in costs. LP's digital strategy incorporates a range of key projects, from e-commerce sales to social media engagement, and represents a significant driver of LP's business plan in the short term. LP's digital marketing strategy, focused primarily on social media, has grown rapidly in size and significance, with the number of followers on Instagram reaching 150,000 in September 2018 and the number of Facebook followers reaching nearly 65,000 in September 2018. E-commerce has also grown significantly, with respect to both LP's direct online sales and B2C sales through third-party online retailers. During the periods under review, LP has expanded its direct e-commerce website across Scandinavia and into Germany, and a global rollout is targeted for 2019. LP has also increased its presence with third-party online retailers in the period under review. LP is also in the process of developing a number of additional digital initiatives, including a customer loyalty program, an online partner portal, an application for sales consultants and the consolidation of internal IT systems into one coherent platform.

Key Income Statement Items

Revenues

Revenues represent sales of products and services. Revenue from the sale of goods is recognized when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognized when delivery is made to the buyer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories represent purchases of raw materials, works in progress, finished products and promotion and advertising materials, as well as any changes in value of long-term contracts or inventories of raw materials, works in progress and semi-finished and finished goods.

Personnel costs

Personnel costs represent wages and salaries, social security contributions, employee severance indemnities and pensions, as well as other personnel costs incurred in the ordinary course of business.

Service costs

Service costs represent costs for subcontracted production work, fees and royalties for advertising and communications, transport and customs costs, maintenance and ancillary costs, professional consultant fees and other costs for external services.

Provisions

Provisions represent amounts set aside for pension funds and business risks.

Other costs and charges

Other costs and charges primarily represent property rents and rental and leasing fees, as well as other administrative costs.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs represent depreciation charges on tangible assets, amortization charges on intangible assets and other write-downs. Depreciation is booked monthly on a straight-line basis starting from the month when the asset is available for use or potentially able to provide the economic benefits associated with it. Intangible fixed assets are amortized along their useful life, with the amortization period and method reconsidered at least at the end of each year. Profits or losses arising from the elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognized on the profit and loss statement of the year in which the elimination occurs. Financial assets are tested for impairment at every balance sheet date with

write-downs recorded in the profit and loss statement when a loss event takes place that has an impact on the future estimated cash flows of the financials assets, if such impact can be reliably estimated.

Financial income

Financial income represents dividends received on financial investments, interest income (including interest income on receivables from group enterprises), net capital gains on securities, payables and transactions in foreign securities, amortization of financial assets and tax relief.

Financial charges

Financial expenses represent interest expenses (including on payables to group enterprises), net capital losses on securities, payables and transactions in foreign currencies, amortization of financial liabilities and tax surcharges.

Income taxes

Current income taxes represent current tax and changes in deferred tax for the period. Tax recognized in the income statement is the portion of tax attributable to the profit for the period.

LP Results of Operations—Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Danish GAAP	Six months ended June 30,		Change	
	2017	2018	DKK	%
	in DKK million		in million	
Revenues	377	370	(7)	(1.9)
Other revenues and income	—	—	—	—
Total revenues	**377**	**370**	**(7)**	**(1.9)**
Purchases of raw materials and variation in inventories	(124)	(113)	(11)	(8.9)
Personnel costs	(123)	(121)	(2)	(1.6)
Service costs	(73)	(69)	(4)	(5.5)
Provisions	(3)	(2)	(1)	(33.3)
Other costs and charges	—	—	—	—
Total costs	**(323)**	**(305)**	**(18)**	**(5.6)**
Amortization, depreciation and write-downs	(24)	(25)	1	4.2
Earnings before interest and taxes (EBIT)	**30**	**40**	**10**	**33.3**
Financial income	3	—	(3)	(100.0)
Financial charges	—	—	—	—
Profit/(loss) before tax coming from continuing operations	**33**	**40**	**7**	**21.2**
Income taxes	(10)	(12)	2	20.0
Net profit/(loss) for the year	**23**	**28**	**5**	**21.7**

Total Revenues

Total revenues decreased by DKK 7 million, or 1.9%, to DKK 370 million for the six months ended June 30, 2018 from DKK 377 million for the six months ended June 30, 2017, primarily due to late deliveries of products from the 2016 copper campaign resulting in additional revenue in the six months ended June 30, 2017, making sales in the Nordics unusually high for that period, as well as due to a decline in B2B revenues driven by weak market conditions in the Nordics.

LP revenue per business division for the six months ended June 30, 2017 and 2018 was as follows:

Danish GAAP	Six months ended June 30,		Change	
	2017	2018	DKK	%
	in DKK million		in million	
B2C	198	213	15	7.6
B2B	178	157	(21)	(11.8)
Indoor	*99*	*79*	*(20)*	*(20.2)*
Outdoor	*79*	*78*	*(1)*	*(1.3)*
Total revenues	**377**	**370**	**(7)**	**(1.9)**

Revenue from the B2C sales channel increased by DKK 15 million, or 7.6%, to DKK 213 million for the six months ended June 30, 2018 from DKK 198 million for the six months ended June 30, 2017, primarily due to the successful launch of various limited edition campaigns to selected customers, the introduction of the awarded Yuh lamp, the increase in sales prices and the increased efficiency of the B2C distribution network, achieved through new in-store promotional tools, such as the shop-in-shop concepts.

Revenue from the B2B sales channel decreased by DKK 21 million, or 11.8%, to DKK 157 million for the six months ended June 30, 2018 from DKK 178 million for the six months ended June 30, 2017, primarily due to weak market conditions in the Nordics, leading to a decline in B2B volumes sold.

LP total revenues per geographic area for the six months ended June 30, 2017 and 2018 were as follows:

Danish GAAP	Six months ended June 30,		Change	
	2017	2018	DKK	%
	in DKK million		in million	
Nordics	214	195	(19)	(8.9)
Rest of Europe	54	56	2	3.7
U.S.	52	59	7	13.5
Japan	37	38	1	2.7
Rest of World	19	19	—	—
Total revenues	**377**	**370**	**(7)**	**(1.9)**

The DKK 7 million (or 1.9%) decline in revenue from the six months ended June 30, 2017 to the six months ended June 30, 2018 was attributable to a negative performance in the Nordics, where revenue decreased by DKK 19 million (or 8.9%), as a consequence of the late delivery of copper campaign products, as discussed above. Other than in Rest of World, where revenue remained constant, revenue from all other markets increased, especially in the U.S., primarily reflecting the strong performance of the B2C division.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories decreased by DKK 11 million, or 8.9%, to DKK 113 million for the six months ended June 30, 2018 from DKK 124 million for the six months ended June 30, 2017, primarily due to a decrease in volumes produced in the B2B division, increased outsourcing of production and the impact of efficiency and cost saving initiatives, such as the implementation of changes in the factory layout in Denmark in order to increase operational flexibility of the assembly lines. As a percentage of total revenues, purchases of raw materials and variation in inventories also decreased from 32.9% for the six months ended June 30, 2017 to 30.5% for the six months ended June 30, 2018 mainly due to the increase in sales prices and the impact of the efficiency and cost saving initiatives mentioned under "*—Price Increases and Cost Efficiency Measures*" above.

Personnel costs

Personnel costs decreased by DKK 2 million, or 1.6%, to DKK 121 million for the six months ended June 30, 2018 from DKK 123 million for the six months ended June 30, 2017, primarily due to redundancies.

Service costs

Service costs decreased by DKK 4 million, or 5.5%, to DKK 69 million for the six months ended June 30, 2018 from DKK 73 million for the six months ended June 30, 2017, primarily due to the implementation of cost saving initiatives resulting in decreased travel expenses and promotional costs, as well as the increased capitalization of product development costs compared to the same period in the previous year, reflecting the increased focus of LP on the development of new products.

Provisions

Provisions decreased slightly from DKK 3 million for the six months ended June 30, 2017 to DKK 2 million for the six months ended June 30, 2018.

Other costs and charges

LP did not recognize any other costs and charges for the six months ended June 30, 2017 and 2018.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs increased by DKK 1 million, or 4.2%, to DKK 25 million for the six months ended June 30, 2018 from DKK 24 million for the six months ended June 30, 2017, primarily due to increased capital expenditure for the development of new products and in relation to the expansion of the retail footprint through, for example, the roll out of new shop-in-shop and other third-party retail modules, which resulted in higher depreciation in the first half of 2018 as compared to the same period of the previous year.

Financial income

LP did not recognize any financial income for the six months ended June 30, 2018. The DKK 3 million in financial income for the six months ended June 30, 2017 was primarily due to the impact of currency fluctuations of the Swedish krone, the US dollar and the Japanese yen.

Financial charges

LP did not recognize any financial charges for the six months ended June 30, 2017 and 2018.

Income taxes

Income taxes increased by DKK 2 million, or 20.0%, to DKK 12 million for the six months ended June 30, 2018 from DKK 10 million for the six months ended June 30, 2017, primarily due to the DKK 7 million increase in taxable income from DKK 39 million in the first half of 2017 to DKK 46 million in the first half of 2018.

LP Results of Operations—Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Danish GAAP	Year ended December 31,		Change	
	2016	2017	DKK	%
	in DKK million		in million	
Revenues	750	801	51	6.8
Other revenues and income	1	—	(1)	(100.0)
Total revenues	**751**	**801**	**50**	**6.7**
Purchases of raw materials and variation in inventories	(274)	(262)	(12)	(4.4)
Personnel costs	(232)	(247)	15	6.5
Service costs	(135)	(140)	5	3.7
Provisions	(6)	(4)	(2)	(33.3)
Other costs and charges	—	—	—	—
Total costs	**(647)**	**(653)**	**6**	**0.9**
Amortization, depreciation and write-downs	(42)	(50)	8	19.0
Earnings before interest and taxes	**62**	**98**	**36**	**58.1**
Financial income	1	13	12	1200.0
Financial charges	(21)	(6)	(15)	(71.4)
Profit/(loss) before tax coming from continuing operations	**42**	**105**	**63**	**150.0**
Income taxes	(15)	(27)	12	80.0
Net profit/(loss) for the year	**27**	**78**	**511**	**188.9**

Total revenues

Total revenues increased by DKK 50 million, or 6.7%, to DKK 801 million for the year ended December 31, 2017 from DKK 751 million for the year ended December 31, 2016, primarily due to the strong performance of the B2C channel, particularly the successful launch of 16 new products in 2017 (compared to 13 in 2016 and 12 in 2015, the effects of which continued to positively impact revenue in 2017), as well as the strong sales of LP iconic products, coupled with increased revenue deriving from the roll-out of additional third-party points of sale in the B2C division, including 134 new shop-in-shops, and more effective actions implemented by the sales force as a result of LP efforts to streamline and strengthen the sales organization. This increase was partially offset by a DKK 28 million decrease in B2B sales, mainly due to certain reorganization initiatives in the U.S. and the DACH region, as further explained below.

LP revenue per business division (as derived from LP's management accounts) for the year ended December 31, 2016 and 2017 was as follows:

Danish GAAP	Year ended December 31,		Change	
	2016	2017	DKK	%
	in DKK million		in million	
B2C	351	429	78	22.2
B2B	400	372	(28)	(7.0)
Indoor	*189*	*192*	*3*	*1.6*
Outdoor	*211*	*180*	*(31)*	*(14.7)*
Total revenues	**751**	**801**	**50**	**6.7**

Revenue from the B2C sales channel increased by DKK 78 million, or 22.2%, to DKK 429 million for the year ended December 31, 2017 from DKK 351 million for the year ended December 31, 2016, primarily due to the successful launch of new products and the increased efficiency of the B2C distribution network, achieved through the roll out of new shop-in-shop and other third-party retail modules, as well as the streamlining of the sales organization in the DACH region.

Revenue from the B2B sales channel decreased by DKK 28 million, or 7.0%, to DKK 372 million for the year ended December 31, 2017 from DKK 400 million for the year ended December 31, 2016, primarily due to the implementation of certain organisational changes, such as the relocation of manufacturing activities from the U.S. to Denmark, the replacement of the majority of the sales staff in such region and the streamlining of the sales organization in the DACH region, which adversely affected B2B sales in 2017, especially in the Outdoor segment.

LP total revenues per geographic area (as derived from LP's management accounts) for the year ended December 31, 2016 and 2017 were as follows:

Danish GAAP	Year ended December 31,		Change	
	2016	2017	DKK	%
	in DKK million		in million	
Nordics	391	458	67	17.1
Rest of Europe	119	119	—	—
U.S.	141	113	(28)	(19.9)
Japan	71	71	—	—
Rest of World	29	40	11	37.9
Total revenues	**751**	**801**	**50**	**6.7**

The DKK 50 million (or 6.7%) growth in revenue from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily attributable to a strong performance in the Nordics, where revenue increased by DKK 67 million (or 17.1%), as a consequence of the successful launch of new products, the increased efficiency of the B2C distribution network, achieved through the roll out of new shop-in-shop and other third-party retail modules. Revenue from Rest of World also increased by DKK 11 million (or 37.9%) mainly due to the launch of new products, the strengthening of LP distributions Network and sales increase, whereas Japan and Rest of Europe remained stable. Revenue increases from the Nordics and Rest of World were partially offset by a DKK 28 million (or 19.9%) decline in revenues from the U.S. for the reasons explained above and the focus placed on new products.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories costs decreased by DKK 12 million, or 4.4%, to DKK 262 million for the year ended December 31, 2017 from DKK 274 million for the year ended December 31, 2016, primarily due to the positive impact of a number of efficiency and cost saving initiatives, such as the relocation of certain manufacturing activities from the U.S. to Denmark and the renegotiation of certain supply agreements on more favourable terms, which more than offset the impact on production costs deriving from higher product volumes in 2017. In particular, as a percentage of total revenues, purchases of raw materials and variation in inventories significantly decreased from 36.5% for the year ended December 31, 2016 to 32.7% for the year ended December 31, 2017.

Personnel costs

Personnel costs increased by DKK 15 million, or 6.5%, to DKK 247 million for the year ended December 31, 2017 from DKK 232 million for the year ended December 31, 2016, primarily in connection with the strengthening of LP distribution network through the roll-out of new third-party points of sale, the upgrade of existing points of sale, the hiring of additional salesforce and increased advertising costs for the launch of new products. As a percentage of total revenues, personnel costs remained substantially stable at 30.9% for the year ended December 31, 2016, compared to 30.8% for the year ended December 31, 2017.

Service costs

Service costs increased by DKK 5 million, or 3.7%, to DKK 140 million for the year ended December 31, 2017 from DKK 135 million for the year ended December 21, 2016, primarily due to increased B2C sales and marketing activities in connection with the launch of new products, although, as a percentage of total revenues, service costs decreased from 18.0% for the year

ended December 31, 2016 to 17.5% for the year ended December 31, 2017, mainly due to the implementation of cost saving initiatives and the positive impact of price increases. The increase in service cost relates to investments in-amongst other-continued digitalization including social media activities. The reductions in percentage of revenue relates to revenue generally increasing more than costs in 2017.

Provisions

Provisions decreased by DKK 2 million, or 33.3%, to DKK 4 million for the year ended December 31, 2017 from DKK 6 million for the year ended December 31, 2016, primarily due to certain provisions for claims that were reversed to the income statement.

Other costs and charges

LP did not recognize any other costs and charges for the years ended December 31, 2017 and December 31, 2016.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs increased by DKK 8 million, or 19.0%, to DKK 50 million for the year ended December 31, 2017 from DKK 42 million for the year ended December 31, 2016, primarily due to increased capital expenditure for the development of new products and in relation to the expansion of the retail footprint through, for example, the roll out of new shop-in-shop and other third-party retail modules, which resulted in higher depreciation in 2017 as compared to the previous year.

Financial income

Financial income increased by DKK 12 million to DKK 13 million for the year ended December 31, 2017 from DKK 1 million for the year ended December 31, 2016, primarily due to the depreciation of the Japanese yen against the Danish krone in 2017, which had a positive effect on the LP net bank debt denominated in Japanese yen and resulted in financial income for such year.

Financial charges

Financial charges were DKK 21 million for the year ended December 31, 2016 and DKK 6 million for the year ended December 31, 2017. The decrease was primarily related to (i) the early repayment of financial indebtedness in both the first and second half of 2016, which left LP with virtually no financial indebtedness for the year ended December 31, 2017 and (ii) the depreciation of the Japanese yen against the Danish krone in 2017, which had a positive effect on the LP net bank debt denominated in Japanese yen and resulted in financial income for such year, whereas the appreciation of the Japanese yen against the Danish krone in 2016 resulted in financial charges for such year.

Income taxes

Income taxes increased by DKK 12 million, or 80.0%, to DKK 27 million for the year ended December 31, 2017 from DKK 15 million for the year ended December 31, 2016, primarily due to the significant increase in taxable income deriving from the growth of the business.

LP Results of Operations—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Danish GAAP	Year ended December 31,		Change	
	2015	2016	DKK	%
	in DKK million		in million	
Revenues	716	750	34	4.7
Other revenues and income	—	1	1	100.0
Total revenues	**716**	**751**	**35**	**4.9**
Purchases of raw materials and variation in inventories	(272)	(274)	2	0.7
Personnel costs	(239)	(232)	(7)	(2.9)
Service costs	(120)	(135)	15	12.5
Provisions	(10)	(6)	(4)	(40.0)
Other costs and charges	—	—	—	—
Total costs	**(641)**	**(647)**	**6**	**0.9**
Amortization, depreciation and write-downs	(42)	(42)	—	—
Earnings before interest and taxes (EBIT)	**33**	**62**	**29**	**87.9**
Financial income	—	1	1	100.0
Financial charges	(11)	(21)	10	90.9
Profit/(loss) before tax coming from continuing operations	**22**	**42**	**20**	**90.9**
Income taxes	(9)	(15)	6	66.7
Net profit/(loss) for the year	**13**	**27**	**14**	**107.7**

Total revenues

Total revenues increased by DKK 35 million, or 4.9%, to DKK 751 million for the year ended December 31, 2016 from DKK 716 million for the year ended December 31, 2015, primarily as a result of the successful launch of 13 new products in 2016 (compared to 12 in 2015, the effects of which continued to positively impact revenue in 2016), as well as increased sales of LP iconic products, with particular strong revenue growth in Sweden and Denmark, and a good performance of the German market after years of difficult conditions. Increased revenue also derived from the roll-out of additional third-party points of sale in the B2C division, including 50 new shop-in-shops, and more effective actions implemented by the sales force as a result of LP efforts to streamline and strengthen the sales organization. This increase was partially offset by a DKK 6 million decrease in B2B sales, mainly due to the discontinuation of certain low-margin products, as further discussed below.

LP revenue per business division (as derived from LP's management accounts) for the year ended December 31, 2015 and 2016 was as follows:

Danish GAAP	Year ended December 31,		Change	
	2015	2016	DKK	%
	in DKK million		in million	
B2C	310	351	41	13.2
B2B	406	400	(6)	(1.5)
Indoor	*201*	*189*	*(12)*	*(6.0)*
Outdoor	*205*	*211*	*6*	*2.9*
Total revenues	**716**	**751**	**35**	**5.0**

Revenue from the B2C sales channel increased by DKK 41 million, or 13.2%, to DKK 351 million for the year ended December 31, 2016 from DKK 310 million for the year ended December 31, 2015, primarily due to the successful launch of new products (such as the Patera lamp) and new limited edition campaigns.

Revenue from the B2B sales channel decreased by DKK 6 million, or 1.5%, to DKK 400 million for the year ended December 31, 2016 from DKK 406 million for the year ended December 31, 2015, primarily due to the discontinuation of certain low-margin Targetti products, especially in the U.S. market, following the Targetti divestment of LP in 2014.

LP total revenues per geographic area (as derived from LP's management accounts) for the year ended December 31, 2015 and 2016 were as follows:

Danish GAAP	Year ended December 31,		Change	
	2015	2016	DKK	%
	in DKK million		in million	
Nordics	373	390	17	4.6
Rest of Europe	111	119	8	7.2
U.S.	138	141	3	2.2
Japan	64	71	7	10.9
Rest of World	30	29	(1)	(3.3)
Total revenues	**716**	**751**	**35**	**4.9**

Revenue growth from 2015 to 2016 was particularly strong in the Nordics (DKK 17 million or 4.6%), Rest of Europe (DKK 8 million or 7.2%) and Japan (DKK 7 million or 10.9%), reflecting the success in these markets of certain new products, such as a new copper PH lamp campaign. Revenue from the U.S. increased at a more marginal rate (DKK 3 million or 2.2%). The revenue increases from these markets were partially offset by a DKK 1 million (or 3.3%) decline in revenue from the Rest of the World, primarily due to the discontinuation of certain low-margin Targetti products.

Purchases of raw materials and variation in inventories

Notwithstanding the growth of the business, purchases of raw materials and variation in inventories only moderately increased by DKK 2 million, or 0.7%, to DKK 274 million for the year ended December 31, 2016 from DKK 272 million for the year ended December 31, 2015. In particular, as a percentage of total revenues, purchases of raw materials and variation in inventories decreased from 40.0% for the year ended December 31, 2015 to 36.5% for the year ended December 31, 2016, as a result of efficiency and cost improvement initiatives in the manufacturing processes in Denmark as well as in the U.S.

Personnel costs

Personnel costs decreased by DKK 7 million, or 2.9%, to DKK 232 million for the year ended December 31, 2016 from DKK 239 million for the year ended December 31, 2015, primarily due to a decline in the number of employees in 2016 compared to 2015 as a result of redundancies and other personnel rationalization initiatives. In addition, as a percentage of total revenues, personnel costs decreased from 33.4% for the year ended December 31, 2015 to 30.9% for the year ended December 31, 2016.

Service costs

Service costs increased by DKK 15 million, or 12.5%, to DKK 135 million for the year ended December 31, 2016 from DKK 120 million for the year ended December 31, 2015, primarily due to increased sales, marketing and product development activities. For the same reasons, service costs also increased as a percentage of total revenues, from 16.8% for the year ended December 31, 2015 to 18.0% for the year ended December 31, 2016.

Provisions

Provisions decreased by DKK 4 million, or 40.0%, to DKK 6 million for the year ended December 31, 2016 from DKK 10 million for the year ended December 31, 2015, primarily due to a claim with the municipality of Copenhagen regarding certain faulty LED components in a large batch of street lighting products in relation to which LP made a provision of DKK 4 million in 2015.

Other costs and charges

LP did not incur any other costs and charges for the years ended December 31, 2016 and December 31, 2015.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs remained stable at DKK 42 million for the years ended December 31, 2016 and 2015.

Financial income

Financial income was DKK 1 million for the year ended December 31, 2016, whereas no financial income was generated for the year ended December 31, 2015, primarily due to the impact of currency exchange rate fluctuations.

Financial charges

Financial charges increased by DKK 10 million, or 90.9%, to DKK 21 million for the year ended December 31, 2016 from DKK 11 million for the year ended December 31, 2015, primarily due to the appreciation of the Japanese yen against the Danish krone in 2016. This caused certain currency adjustments to the net bank debt denominated in Japanese yen which resulted in financial charges being recorded in the income statement of LP.

Income taxes

Income taxes increased by DKK 6 million, or 66.7%, to DKK 15 million for the year ended December 31, 2016 from DKK 9 million for the year ended December 31, 2015, primarily due to the increase in taxable income deriving from the growth of the business.

B&B

Presentation of Financial Information

In this Offering Memorandum, we have reclassified and renamed certain Italian GAAP line items of the B&B income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed B&B income statement and balance sheet line items presented herein differ from the corresponding income statement and balance sheet line items contained in the B&B Consolidated Financial Statements included in the financial pages to this Offering Memorandum. Tables setting forth a reconciliation of the reclassified and renamed line items to corresponding line items in the B&B Consolidated Financial Statements for the periods indicated are attached to this Offering Memorandum under Annex A. For an explanation of the key income statement items, see "*Management's discussion and analysis of financial condition and results of operations—B&B*". Historically, B&B has prepared its financial statements in accordance with Italian GAAP. Because there are differences between Italian GAAP and IFRS as listed is Annex A, if B&B were to prepare its financial statements on the basis of IFRS instead of Italian GAAP, there could be differences in B&B results of operations, cash flows and financial position, including levels of indebtedness. See "*Risk Factors—Risks related to our business—The B&B Consolidated Financial Statements are based on Italian GAAP and the Louis Poulsen Consolidated Financial Statements are based on Danish GAAP, and there may be differences between B&B's financial position and results of operations prepared in accordance with Italian GAAP and IFRS or U.S. GAAP, and between Louis Poulsen's financial position and results of operations prepared in accordance with Danish GAAP and IFRS or U.S. GAAP. In addition, should B&B decide to adopt IFRS as its accounting reporting method, this could potentially result in material changes to certain of B&B's financial information from the B&B information presented in this Offering Memorandum*".

Sales Channels and Geographical Area Financial Information

The business of the B&B group is broken down into three channels: (i) *Wholesale*, which comprises wholesale sales of all B&B's products and brands; (ii) *Contract*, which comprises full "turn-key" fit-outs of commercial and residential properties using both standard and custom B&B

products (as well as third-party products, whenever a project so requires); and (iii) *Retail*, which comprises retail sales of all B&B's products and brands through a network of eight directly operated multi-brand stores and one store dedicated to Arclinea, which B&B acquired in 2016 (see "*—Factors Affecting the Comparability of B&B Results of Operations—The Arclinea Acquisition*"). We present in this Offering Memorandum certain financial information on B&B sales channels, including a revenue breakdown for the periods under review. Such financial information is based on B&B management accounts, which marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. In particular, revenue from long-term projects is accounted for (i) in B&B's management accounts, each time a specific project milestone is achieved and recognized by the customer; and (ii) in B&B's statutory accounts, entirely at the completion of the relevant project.

For the purposes of providing additional insight to understand and analyze the performance of B&B's business and its international footprint, we also present certain financial information regarding the markets where B&B operates, including a revenue breakdown for the periods under review by geographical area, whereby revenue is allocated by location of the customer to whom B&B issues the relevant invoice. Such geographical breakdown of revenue is also derived from B&B management accounts.

The financial information regarding B&B sales channels and geographical areas is presented herein to facilitate the understanding of B&B's business. However, such information has not been audited or reviewed by B&B's auditors or any other financial advisors and is not included in the B&B Consolidated Financial Statements.

Significant Factors Affecting Results of Operations of B&B

Product, Brand and Sales Channel Mix

The B&B group encompasses three brands, B&B Italia, Maxalto and Arclinea, and offers a wide range of furnishing products. B&B's results of operations are in part affected by the mix of products and brands that it sells, as different brands, and different products and collections within each brand, can carry different price points, entail different production, marketing and distribution costs and generate different gross margins.

Upholstered furniture, including sofas, armchairs, chairs and beds, generate the majority of B&B's revenue and are also the products that generate the highest gross margins, primarily because production occurs on a industrial scale through cost-efficient manufacturing processes (such as the application of polyurethane extrusions to a metal skeleton in a mold). Among the B&B furniture brands, Maxalto products have a higher price point than B&B Italia products primarily due to the higher brand positioning of Maxalto and the exclusive materials utilized in the Maxalto collections (such as special leathers and precious wood), and normally generate higher gross margins, notwithstanding the higher production costs mostly deriving from the supply of such materials. Sales of B&B Italia non-upholstered products for living room and bedroom are normally associated with lower gross margins than any other B&B products, as production is often customized, which results in higher production costs.

The sales channel or business division through which B&B products are sold may also impact B&B gross margins. Normally, the Contract division, and especially the so-called "fit out" projects where customers require turnkey delivery of interiors, floorings and installations, yield lower gross margins than the Home division, mainly due to the high costs associated with the planning and preparatory phases of the relevant project, which may take several months depending on the complexity of the project, and with the customization of the products. However, Contract projects often provide for cross-selling opportunities and synergies with the rest of B&B's business.

Sales generated by B&B DOS may yield higher or lower gross margins than those generated through the wholesale channel, primarily depending on the performance of the individual store,

as well as the impact of the fixed costs associated with the leases of the real estate property where B&B stores are located, which vary by market and the size of the individual store. In addition, gross margins in the wholesale channel are impacted by the wholesalers' profit and, to the extent applicable, the relevant agents' or distributors' commissions, which are not applicable in the retail channel where B&B sells directly to consumers.

Customer Preferences and Launch of New Products

Alongside sales of B&B historical best-selling design icons, B&B continuously elaborates and studies new products and designs, or updates of historical products and designs (*e.g.* by introducing new upholstery materials), to adapt to the gradual evolution of customer tastes, thereby reducing B&B's exposure to risks inherent in changing customer preferences. From 2015 to 2017, B&B launched 13 new products in average per year, and 14 new products have so far been launched in 2018. For the twelve months ended June 30, 2018, B&B generated 40.8% of its revenue from the sale of products introduced over the course of the last five years. For example, in recent years, the launch of new successful outdoor products has significantly contributed to the growth in revenue from such product line. From 2015 to 2017, revenue from the sale of outdoor products increased by 65.6% from €9.6 million to €15.9 million.

Factors Affecting the Comparability of the Results of Operations of B&B

The Investindustrial Acquisition of B&B

In September 2015, Investindustrial acquired control of B&B Group from the previous owners, Emanuele and Giorgio Busnelli and other minority shareholders. More specifically, on September 22, 2015, 100% of the share capital of B&B Italia S.p.A., the previous reporting entity, was acquired by Durini 14 S.p.A., indirectly owned by funds advised by Investindustrial, Giorgio Busnelli and other minority shareholders. In connection with the acquisition, Durini 14 S.p.A. entered into the B&B Existing Facilities Agreement to fund part of the consideration for the acquisition. Subsequent to the acquisition, in order to simplify the B&B ownership structure, on October 1, 2016, a merger took place between B&B Italia S.p.A., its direct parent company GEB S.r.l. and its indirect parent company Durini 14 S.p.A. (the surviving entity, concurrently renamed B&B Italia S.p.A., which became the new reporting entity) (such merger, the "**B&B Merger**"). For accounting purposes, the effective date of the merger was backdated to January 1, 2016. The B&B Merger resulted in an increase of B&B indebtedness and related interest expense, primarily as a consequence of the indebtedness under the B&B Existing Facilities Agreement being brought onto the B&B balance sheet and the related interest expense being recorded in the B&B income statement. In particular, as a direct and immediate consequence of the B&B Merger, B&B financial debt increased from virtually zero to €131.0 million as of December 31, 2015, and B&B interest expense increased accordingly. In addition, while B&B recorded no goodwill before the B&B Merger, goodwill increased to €163.6 million as of December 31, 2015 as a consequence thereof. Both goodwill and financial liabilities marginally decreased over the periods under review, reaching €142.6 million and €111.8 million, respectively, as of June 30, 2018.

Moreover, as the perimeter of the B&B group's consolidation changed in 2015 in connection with the acquisition by Investindustrial, the B&B 2015 Consolidated Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the B&B group, B&B Italia S.p.A., which was extinguished and merged with its direct parent company GEB S.r.l. and its indirect parent company Durini 14 S.p.A. (the surviving entity, concurrently renamed B&B Italia S.p.A.) with an effective date of October 1, 2016. Accordingly, investors should exercise caution in comparing B&B's financial information for 2015 and 2016. See "*Risk Factors—Risks Related to Our Financial Information—The financial information for Flos and B&B included in this Offering Memorandum reflect certain changes in the scope of consolidation during the periods under review. Accordingly, investors should exercise caution in comparing each of Flos' and B&B's financial information across the periods under review*".

The Arclinea Acquisition

B&B acquired a 70.0% stake in Arclinea's share capital in September 2016 for a total consideration of €5.3 million. Such acquisition represented B&B first entry into the high-end design kitchen industry. B&B's acquisition of Arclinea also enabled B&B to expand its business in terms of number of customers. The acquisition of Arclinea was funded with cash from operations. B&B believes that the acquisition of Arclinea has generated synergies for its business and has contributed to its organic growth. Such acquisitions have given the company, for example, the ability to cross-sell Arclinea kitchens to its existing customer base, as well as to sell products to a new customer base. For the year ended December 31, 2017 and the twelve months ended June 30, 2018, Arclinea generated 9.4% and 8.5% of B&B revenue, respectively. For the years ended December 31, 2016 and 2017, Arclinea generated negative EBITDA, primarily due to the fact that B&B acquired such company only in 2016 and such division is still in the ramp-up phase and is being integrated and relaunched.

Due to the changes in B&B's perimeter of consolidation in 2016 as a consequence of the Arclinea acquisition, B&B results of operations over certain of the periods under review may not be entirely comparable.

Key Income Statement Items

Revenues

Revenues are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts. Revenues from the sale for the goods are recognised when the production process for the goods has been completed and the exchange has already taken place, upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognised once the services have been provided. In connection with long-term contracts, revenues are recognized only once the relevant project is completed.

Other revenues and income

Other revenues and income represents income from non-core business activities, including sundry revenues, recharges to customers and suppliers for sundry expenses, gains and prior year items.

Purchases of raw materials and variation in inventories

Purchases of raw materials includes costs associated with the supply of materials, components, semi-finished or finished products and other goods used for operating purposes. Inventory items whose estimated realisable value based on market trends is lower than their carrying amount are written down, with a corresponding negative impact on the income statement.

Personnel costs

Personnel costs represent wages and salaries (including to members of the board of directors), social security contributions, employee severance indemnities and pensions, as well as other personnel costs incurred in the ordinary course of business.

Service costs

Service costs includes costs incurred in connection with production services, such as costs for subcontracted production work, maintenance and ancillary costs, transport and customs costs, commercial services, such as fees and royalties for advertising and communications, administrative services, such as fees paid to certain B&B corporate bodies (*e.g.* statutory auditors), independent auditors and other professional consultants, and other minor services.

Provisions

Provisions represent amounts set aside for pension funds and business risks.

Other costs and charges

Other costs and charges primarily represent property rents and rental and leasing fees, as well as other administrative costs.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs represent depreciation charges on tangible assets, amortization charges on intangible assets and other write-downs. Depreciation is booked monthly on a straight-line basis starting from the month when the asset is available for use or potentially able to provide the economic benefits associated with it. Intangible fixed assets are amortized along their useful life, with the amortization period and method reconsidered at least at the end of each year. In addition, in accordance with Italian GAAP, goodwill and trademarks are amortized systematically over their useful life and, as such, the amortization expensed each period reflects the allocation of the cost incurred over their useful life. Profits or losses arising from the elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognized on the profit and loss statement of the year in which the elimination occurs. Financial assets are tested for impairment at every balance sheet date with write-downs recorded in the profit and loss statement when a loss event takes place that has an impact on the future estimated cash flows of the financials assets, if such impact can be reliably estimated.

Financial income

Financial income represents interest on receivables and changes in fair value of financial instruments.

Financial charges

Financial charges represent interest expense and other financing costs.

Income taxes

Current income taxes are based on the amount expected to be recovered from or paid to the tax authorities. The rates used to calculate these amounts are those in effect on the year-end date in the countries in which B&B operates and generates taxable income, taking into account the use of any prior tax losses. Management periodically assesses the position taken in income tax returns in cases in which tax laws are subject to interpretation and, where appropriate, allocates provisions.

B&B Results of Operations—Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Italian GAAP	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Revenues	103.8	102.1	(1.7)	(1.6)
Other revenues and income	1.0	1.0	—	—
Total revenues	**104.8**	**103.1**	**(1.7)**	**(1.6)**
Purchases of raw materials and variation in inventories	(32.9)	(31.3)	(1.6)	(4.9)
Personnel costs	(19.3)	(19.5)	0.2	1.0
Service costs	(28.5)	(28.3)	(0.2)	(0.7)
Provisions	(0.0)	(0.1)	—	—
Other costs and charges	(4.9)	(4.9)	—	—
Total costs	**(85.6)**	**(84.1)**	**(1.5)**	**(1.8)**
Amortization, depreciation and write-downs	(9.7)	(9.3)	(0.4)	(4.1)
Earnings before interest and taxes (EBIT)	**9.5**	**9.7**	**0.2**	**2.1**
Financial income	0.0	0.8	0.8	—
Financial charges	(4.4)	(3.7)	(0.7)	(15.9)
Profit/(loss) before tax coming from continuing operations	**5.1**	**6.8**	**1.7**	**33.3**
Income taxes	(1.3)	(3.0)	1.7	130.8
Net profit/(loss) coming from continuing operations	**3.9**	**3.8**	**(0.1)**	**(2.6)**

Total revenues

Total revenues decreased by €1.7 million, or 1.6%, to €103.1 million for the six months ended June 30, 2018 from €104.8 million for the six months ended June 30, 2017, primarily due to a decrease in revenue from the Home and Arclinea divisions, partially offset by a strong performance of the Contract division in the first half of 2018.

B&B total revenues by sales channel (as derived from B&B's management accounts) for the six months ended June 30, 2017 and 2018 were as follows:

Italian GAAP	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Wholesale	77.2	73.1	(4.1)	(5.3)
Retail	16.0	15.8	(0.2)	(1.2)
Contract	10.9	14.9	4.0	36.7
Total revenues[(1)]	**104.1**	**103.8**	**(0.3)**	**(0.3)**

(1) B&B's revenue by sales channel is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by sales channel does not correspond to the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €103.8 million and €102.1 million for the six months ended June 30, 2018 and 2017, respectively

Revenue from the Wholesale channel marginally decreased by €4.1 million, or 5.3%, to €73.1 million for the six months ended June 30, 2018 from €77.2 million for the six months ended June 30, 2017, primarily due to weak performance in the Americas and in the APAC region.

Revenue from the Retail channel decreased by €0.2 million, or 1.2%, to €15.8 million for the six months ended June 30, 2018 from €16.0 million for the six months ended June 30, 2017, primarily due to weak market conditions in the Americas.

Revenue from the Contract channel increased by €4.0 million, or 36.7%, to €14.9 million for the six months ended June 30, 2018 from €10.9 million for the six months ended June 30, 2017, primarily due to the completion of certain significant new Contract projects that began generating revenue in the first half of 2018.

B&B total revenues by geographic area (as derived from B&B's management accounts) for the six months ended June 30, 2017 and 2018 were as follows:

Italian GAAP	Six months ended June 30,		Change	
	2017	2018	€	%
	in € million		in million	
Italy	19.2	18.9	(0.3)	(1.6)
Rest of Europe	42.2	43.7	1.5	3.6
Americas	21.8	20.8	(1.0)	(4.6)
APAC	15.8	11.5	(4.3)	(27.2)
Rest of World	5.0	8.9	3.9	78.0
Total revenues[(1)]	**104.1**	**103.8**	**(0.3)**	**(0.3)**

(1) B&B's revenue by geographic area is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by geographic area does not correspond to the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €103.8 million and 102.1 million for the six months ended June 30, 2018 and 2017, respectively

The marginal €0.3 million (or 0.3%) revenue decline from €104.1 million for the six months ended June 30, 2017 to €103.8 million for the six months ended June 30, 2018 was mainly attributable to the €4.3 million (or 27.2%) decrease in revenue from the APAC region, reflecting the impact of the reorganization of the distribution network in the region. Such decrease was partially offset by a good performance of Rest of World, and in particular in the Middle East, primarily due to the completion of a large contract project. Revenue from Italy and the Americas also marginally declined, whereas Rest of Europe delivered a moderate €1.5 million (or 3.6%) revenue increase.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories decreased by €1.6 million, or 4.9%, to €31.3 million for the six months ended June 30, 2018 from €32.9 million for the six months ended June 30, 2017, primarily due to the effects of a shift in volume and product mix.

Personnel costs

Personnel costs remained substantially stable at €19.5 million for the six months ended June 30, 2018 compared to €19.3 million for the six months ended June 30, 2017.

Service costs

Service costs remained substantially stable at €28.3 million for the six months ended June 30, 2018 compared to €28.5 million for the six months ended June 30, 2017.

Provisions

B&B made no provisions in the six months ended June 30, 2017, whereas provisions for €0.1 million were made in the six months ended June 30, 2018.

Other costs and charges

Other costs and charges remained consistent between the six months ended June 30, 2018 and 2017, at €4.9 million.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs decreased by €0.4 million, or 4.1%, to €9.3 million for the six months ended June 30, 2018 from €9.7 million for the six months ended June 30, 2017, primarily due to a €0.1 million decrease in write-downs and a decrease of €0.4 million related to depreciation of intangible assets.

Financial income

Financial income were €0.8 million for the six months ended June 30, 2018, whereas no financial income was accounted for the six months ended June 30, 2017.

Financial charges

Financial charges decreased by €0.7 million, or 13.6%, to €3.7 million for the six months ended June 30, 2018 from €4.4 million for the six months ended June 30, 2017, primarily due to lower interest costs and exchange rate effects.

Income taxes

Income taxes increased by €1.7 million, or 130.8%, to €3.0 million for the six months ended June 30, 2018 from €1.2 million for the six months ended June 30, 2017, primarily due to the increase of profit before tax.

B&B Results of Operations—Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Italian GAAP	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Revenues	188.3	207.8	19.5	10.4
Other revenues and income	3.0	2.3	(0.7)	(23.3)
Total revenues	**191.3**	**210.1**	**18.8**	**9.8**
Purchases of raw materials and variation in inventories	(61.8)	(66.5)	4.7	7.6
Personnel costs	(32.8)	(37.4)	4.6	14.0
Service costs	(48.9)	(53.9)	5.0	10.2
Provisions	(0.7)	(0.1)	(0.6)	(85.7)
Other costs and charges	(8.9)	(9.8)	0.9	10.1
Total costs	**(153.1)**	**(167.7)**	**14.6**	**9.5**
Amortization, depreciation and write-downs	(19.3)	(19.8)	0.5	2.6
Earnings before interest and taxes (EBIT)	**18.8**	**22.6**	**3.8**	**20.2**
Financial income	0.3	0.1	(0.2)	(66.7)
Financial charges	(9.3)	(8.6)	(0.7)	(7.5)
Profit/(loss) before tax coming from continuing operations	**9.8**	**14.1**	**4.3**	**43.9**
Income taxes	(5.5)	(5.3)	(0.2)	(3.6)
Net profit/(loss) coming from continuing operations	**4.4**	**8.8**	**4.4**	**100.0**

Total revenues

Total revenues increased by €18.8 million, or 9.8%, to €210.1 million for the year ended December 31, 2017 from €191.3 million for the year ended December 31, 2016. The increase was primarily attributable to the revenue contribution in 2017 of Arclinea, which B&B acquired in September 2016. Arclinea generated €20.1 million of revenues in 2017, compared to €5.8 million from September to December 2016. Apart from the impact of Arclinea, the revenue increase reflected the particularly strong performance of the wholesale channel.

B&B total revenues by sales channel (as derived from B&B's management accounts) for the year ended December 31, 2016 and 2017 were as follows:

Italian GAAP	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Wholesale	127.8	152.2	24.4	19.1
Retail	29.0	31.1	2.1	7.2
Contract	33.5	28.3	(5.2)	(15.5)
Total revenues(1)	**190.3**	**211.6**	**21.3**	**11.2**

(1) B&B's revenue by sales channel is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by sales channel does not correspond to the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €188.3 million and €207.8 million for the year ended 31 December 2016 and 2017, respectively.

Revenue from the Wholesale channel increased by €24.4 million, or 19.1%, to €152.2 million for the year ended December 31, 2017 from €127.8 million for the year ended December 31, 2016, primarily due to the effect of the full year of revenue contribution by Arclinea and volume increase.

Revenue from the Retail channel increased by €2.1 million, or 7.2%, to €31.1 million for the year ended December 31, 2017 from €29.0 million for the year ended December 31, 2016, primarily due to the ramp up of the Paris store.

Revenue from the Contract channel decreased by €5.2 million, or 15.5%, to €28.3 million for the year ended December 31, 2017 from €33.5 million for the year ended December 31, 2016, primarily due to a smaller projects in the pipeline.

B&B total revenues by geographic area (as derived from B&B's management accounts) for the year ended December 31, 2016 and 2017 were as follows:

Italian GAAP	Year ended December 31,		Change	
	2016	2017	€	%
	in € million		in million	
Italy	28.2	38.9	10.7	38.1
Rest of Europe	72.0	78.9	7.0	9.7
Americas	44.0	44.1	0.2	0.4
APAC	27.1	33.8	6.7	24.9
Rest of World	19.1	15.7	(3.4)	(17.8)
Total revenues(1)	**190.3**	**211.6**	**21.3**	**11.2**

(1) B&B's revenue by geographic area is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by geographic area does not correspond to the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €188.3 million and €207.8 million for the year ended 31 December 2016 and 2017, respectively.

The €21.3 million (or 11.2%) revenue increase from €190.3 million for the year ended December 31, 2016 to €211.6 million for the year ended December 31, 2017 reflected the positive performance of all geographical areas, due to both organic growth and the revenue contribution of Arclinea which B&B acquired in September 2016, except for the Rest of World region, where revenue decreased by €3.4 million (or 17.8%) primarily due to weaker performance in the Middle East.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories increased by €4.7 million, or 7.6%, to €66.5 million for the year ended December 31, 2017 from €61.8 million for the year ended December 31, 2016, primarily due to the growth of the business over the period, including the

acquisition of Arclinea in September 2016, which required increased production, resulting in higher costs for the supply of raw materials (€48.7 million in 2016 compared to €56.6 million in 2017, representing a €7.9 million increase), only partially offset by a €3.4 million decrease for the supply of goods, mainly related to the contraction in the contract business. As a percentage of total revenues, purchases of raw materials and variation in inventories decreased from 32.3% for the year ended December 31, 2016 to 31.9% for the year ended December 31, 2017 as a consequence of internal efforts to improve efficiencies.

Personnel costs

Personnel costs increased by €4.6 million, or 14.0%, to €37.4 million for the year ended December 31, 2017 from €32.8 million for the year ended December 31, 2016, due to an increase in the workforce as a consequence of the Arclinea acquisition in September 2016, which added 97 employees to B&B's workforce. The total headcount moderately increased from 607 workers as of December 31, 2016 to 618 workers as of December 31, 2017.

Service costs

Service costs increased by €5.0 million, or 10.2%, to €53.9 million for the year ended December 31, 2017 from €48.9 million for the year ended December 31, 2016, primarily attributable to a €4.3 million increase in production services (*e.g.* costs for subcontracted production work, maintenance and ancillary costs, transport and customs costs) in connection with the acquisition of Arclinea and the growth of the production. As a percentage of total revenues, service costs remained stable at 25.6% between the year ended December 31, 2017 and the year ended December 31, 2016.

Provisions

Provisions decreased by €0.6 million to €0.1 million for the year ended December 31, 2017 from €0.7 million for the year ended December 31, 2016, primarily attributable to contingencies associated with a contract project that were released in 2017.

Other costs and charges

Other costs and charges increased by €0.9 million, or 10.1%, to €9.8 million for the year ended December 31, 2017 from €8.9 million for the year ended December 31, 2016, primarily due to increased rent paid on the lease agreement relating to the manufacturing facility of Arclinea, which B&B acquired in September 2016.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs remained substantially stable at €19.8 million for the year ended December 31, 2017 compared to €19.3 million for the year ended December 31, 2017.

Financial income

Financial income decreased by €0.2 million, or 66.7%, to €0.1 million for the year ended December 31, 2017 from €0.3 million for the year ended December 31, 2016.

Financial charges

Financial charges marginally decreased by €0.7 million, or 7.5%, to €8.6 million for the year ended December 31, 2017 from €9.3 million for the year ended December 31, 2016. In 2017, B&B repaid on a voluntary basis €13.9 million of indebtedness outstanding under the B&B Existing Senior Facilities; however, the impact on financial charges for the year ended December 31, 2017 was only marginal.

Income taxes

Income taxes remained substantially stable at €5.3 million for the year ended December 31, 2017 compared to €5.5 million for the year ended December 31, 2016.

B&B Results of Operations—Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Italian GAAP	Year ended December 31,		Change	
	2015 Predecessor	2016	€	%
	in € million		in million	
Revenues	161.4	188.3	26.9	16.7
Other revenues and income	3.1	3.0	0.1	3.2
Total revenues	**164.5**	**191.3**	**26.8**	**16.3**
Purchases of raw materials and variation in inventories	(50.9)	(61.8)	10.9	21.4
Personnel costs	(31.1)	(32.8)	1.7	5.5
Service costs	(42.6)	(48.9)	6.3	14.8
Provisions	(0.2)	(0.7)	0.5	250.0
Other costs and charges	(7.7)	(8.9)	1.2	15.6
Total costs	**(132.5)**	**(153.2)**	**20.7**	**15.6**
Amortization, depreciation and write-downs	(8.2)	(19.3)	11.1	135.4
Earnings before interest and taxes (EBIT)	**23.8**	**18.8**	**(5.0)**	**21.0**
Financial income	0.3	0.3	—	—
Financial charges	(0.6)	(9.3)	8.7	—
Profit/(loss) before tax coming from continuing operations	**23.5**	**9.8**	**13.7**	**58.3**
Income taxes	(7.8)	(5.5)	(2.3)	29.5
Net profit/(loss) coming from continuing operations	**15.7**	**4.4**	**(11.3)**	**(72.0)**

Total revenues

Total revenues increased by €26.8 million, or 16.3%, to €191.3 million for the year ended December 31, 2016 from €164.5 million for the year ended December 31, 2015, primarily due to the acquisition of Arclinea in September 2016 which contributed revenue of €5.8 million for that year since the acquisition and growth in volume.

B&B total revenues by sales channel (as derived from B&B's management accounts) for the year ended December 31, 2015 and 2016 were as follows:

Italian GAAP	Year ended December 31,		Change	
	2015 Predecessor	2016	€	%
	in € million		in million	
Wholesale	113.2	127.8	14.6	12.9
Retail	27.6	29.0	1.4	5.2
Contract	21.0	33.5	12.5	59.2
Total revenues(1)	**161.8**	**190.3**	**28.5**	**17.6**

(1) B&B's revenue by sales channel is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by sales channel does not correspond with the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €161.4 million and €188.3 million for the year ended December 31, 2015 and 2016, respectively.

Revenue from the Wholesale channel increased by €14.6 million, or 12.9%, to €127.8 million for the year ended December 31, 2016 from €113.2 million for the year ended December 31, 2015, primarily due to the revenue contribution of Arclinea which B&B acquired in September 2016 as well as increased volumes in the residential area.

Revenue from the Retail channel increased by €1.4 million, or 5.2%, to €29.0 million for the year ended December 31, 2016 from €27.6 million for the year ended December 31, 2015, primarily due to increased sales in the U.S.

Revenue from the Contract channel increased by €12.5 million, or 59.2%, to €33.5 million for the year ended December 31, 2016 from €21.0 million for the year ended December 31, 2015, primarily due to the impact of the roll-out of certain retail stores (e.g. Rolex and Bentley), and completion of important projects.

B&B total revenues by geographic area (as derived from B&B's management accounts) for the year ended December 31, 2015 and 2016 were as follows:

Italian GAAP	Year ended December 31,		Change	
	2015 Predecessor	2016	€	%
	in € million		in million	
Italy	25.9	28.2	2.3	8.7
Rest of Europe	64.8	72.0	7.2	11.1
Americas	37.3	44.0	6.7	18.0
APAC	17.8	27.1	9.3	52.4
Rest of World	16.2	19.1	3.0	17.9
Total revenues(1)	**161.8**	**190.3**	**28.5**	**17.6**

(1) B&B's revenue by geographic area is derived from its management accounts. B&B's management accounts marginally differ from statutory accounts, mainly in connection with the methodology of accounting for revenue from long-term Contract projects, which impacts the revenue line item in the statutory accounts and the management accounts differently. As a result, total revenue by geographic area does not correspond to the total revenue as presented in the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum. B&B revenues derived from the statutory accounts as presented in Annex C were €161.4 million and €188.3 million for the year ended 31 December 2015 and 2016 respectively.

The €28.5 million (or 17.6%) revenue increase from €161.8 million for the year ended December 31, 2015 to €190.3 million for the year ended December 31, 2016 reflected the strong performance of all B&B's geographical markets, mainly attributable to organic growth and, to a lesser extent, the revenue contribution of Arclinea for the last three months of 2016 following its acquisition. The APAC region performed particularly well, with a revenue increase of €9.3 million (or 52.4%), primarily due to the impact of contract and residential projects.

Purchases of raw materials and variation in inventories

Purchases of raw materials and variation in inventories increased by €10.9 million, or 21.4%, to €61.8 million for the year ended December 31, 2016 from €50.9 million for the year ended December 31, 2015, primarily due to to the growth of the business. Purchases of raw materials and variation in inventories increased as a percentage of total revenues, from 30.9% for the year ended December 31, 2016 to 32.3% for the year ended December 31, 2017 as a consequence of product mix.

Personnel costs

Personnel costs increased by €1.7 million, or 5.5%, to €32.8 million for the year ended December 31, 2016 from €31.1 million for the year ended December 31, 2015, primarily due to an increase in workforce by 101 workers as a consequence of the consolidation of Arclinea which B&B acquired in September 2016, as well as new hires which were only partially offset by dismissals, retirements and resignations. B&B workforce significantly increased from 487 workers as of December 31, 2015 to 607 workers as of December 31, 2016.

Service costs

Service costs increased by €6.3 million, or 14.8%, to €48.9 million for the year ended December 31, 2016 from €42.6 million for the year ended December 31, 2015. Apart from the impact of Arclinea, which contributed €1.4 million to such increase in 2016, service costs increased as a result of higher costs for communication and marketing and promotional activities. As a percentage of total revenues, service costs decreased from 25.9% for the year ended December 31, 2015 to 25.6% for the year ended December 31, 2016.

Provisions

Provisions increased by €0.5 million to €0.7 million for the year ended December 31, 2016 from €0.2 million for the year ended December 31, 2015.

Other costs and charges

Other costs and charges increased by €1.2 million, or 15.6%, to €8.9 million for the year ended December 31, 2016 from €7.7 million for the year ended December 31, 2015, primarily due to higher property rents due to the acquisition of Arclinea and certain stores in the U.S., as well as software related costs.

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs increased by €11.1 million, or 135.4%, to €19.3 million for the year ended December 31, 2016 from €8.2 million for the year ended December 31, 2015, primarily due to the increased goodwill and trademarks following the acquisition of B&B by Investindustrial in September 2015, which resulted in higher amortization rates for 2016.

Financial income

Financial income remained stable between the years ended December 31, 2016 and 2017 at €0.3 million.

Financial charges

Financial charges increased by €8.7 million to €9.3 million for the year ended December 31, 2016 from €0.6 million for the year ended December 31, 2015. The substantial increase is attributable to the B&B Merger which resulted in the indebtedness under the B&B Existing Senior Facilities and related interest expense to be incorporated in B&B's financial results for the year ended December 31, 2016. Such facilities and the related interest expense did not impact B&B results presented herein for 2015 as these relate to the predecessor entity of B&B. B&B indebtedness increased from virtually no indebtedness as of December 31, 2015 (relating to the predecessor entity) to €127.6 million as of December 31, 2016 (relating to the successor entity), and the increase of financial charges between 2015 and 2016 primarily reflects the interest paid on B&B Existing Senior Facilities in 2016.

Income taxes

Income taxes decreased by €2.3 million, or 29.5%, to €5.5 million for the year ended December 31, 2016 from €7.8 million for the year ended December 31, 2015, primarily due to the €13.7 million (or 58.3%) decrease in taxable income, from €23.5 million in 2015 to €9.8 million in 2016.

Liquidity and Capital Resources

Liquidity describes the ability of a group to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditure, debt service obligations, other commitments, contractual obligations and acquisitions. Our liquidity requirements arise primarily to meet our debt service obligations, fund capital expenditures, including for our research and product development activities, fund salaries and other associated costs, fund acquisitions and pay taxes.

Going forward, our primary sources of liquidity are expected to be our cash from operating activities and drawings under the Revolving Credit Facility. Following the Transactions, including the offering of the Notes and the application of the proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes and borrowings under the Revolving Credit Facility.

Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt

service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt when due. If our cash flows from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Related to Our Structure and the Financing—Our substantial leverage and debt service obligations could materially adversely affect our business, financial position and results of operations and preclude us from satisfying our obligations under the Notes and the Notes Guarantees*" and "*Risk Factors—Risks Related to Our Structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes*".

B&B Cash Flow Analysis

	Year ended December 31,			Six months ended June 30,	
Italian GAAP in € million	**2015 (predecessor)**	**2016**	**2017**	**2017**	**2018**
Net cash and cash equivalents at beginning of the period	**10.4**	**30.9**	**26.5**	**26.5**	**31.9**
Cash flows from operating activities	28.6	16.5	27.5	23.8	16.3
Cash flows from / (used in) investing activities	(4.1)	(6.8)	(3.9)	(1.1)	(1.9)
Cash flows from / (used in) financing activities	(6.2)	(5.8)	(18.2)	(18.3)	2.1
Change in the consolidated scope	—	(8.3)	—	—	—
Net cash and cash equivalents at end of the period	**28.7**	**26.5**	**31.9**	**30.9**	**48.5**

Cash flows from operating activities

Cash flow from operating activities decreased by €7.5 million from €23.8 million for the six months ended June 30, 2017 to €16.3 million for the six months ended June 30, 2018. The decrease was primarily due to an increase in working capital mainly associated with certain Contract projects.

Cash flow from operating activities increased by €11.0 million from €16.5 million for the year ended December 31, 2016 to €27.5 million for the year ended December 31, 2017. The increase was primarily due to the growth of the business which resulted in increased cash generation from operating activities, as well as a decrease in working capital mainly associated with certain Contract projects.

Cash flow from operating activities decreased by €12.1 million from €28.6 million for the year ended December 31, 2015 to €16.5 million for the year ended December 31, 2016. The decrease was primarily due to a working capital increase in connection with certain Contract projects.

Cash flows from / (used in) investing activities

Cash flow used in investing activities increased by €0.8 million from €1.1 million for the six months ended June 30, 2017 to €1.9 million for the six months ended June 30, 2018. The increase was primarily due to the opening of the new Arclinea showroom in Milan in April 2018 which required investments for, among other things, the fitting out of the store.

Cash flow used in investing activities decreased by €2.9 million from €6.8 million for the year ended December 31, 2016 to €3.9 million for the year ended December 31, 2017. The decrease was primarily due to the fact for the year ended December 31, 2016 B&B invested €5.1 million in intangible fixed assets, including for the refurbishment of the New York store and the opening of a new store in Paris, whereas investments in such assets for the year ended December 31, 2017 were only €1.8 million, primarily relating to the new Arclinea store in Milan, the fitting out of which began in 2017, the refurbishment of the London store and the acquisition of the Azucena brand in December 2017.

Investing activities absorbed cash flow of €4.1 million for the year ended December 31, 2015 primarily related to investments for €2.1 million in tangible fixed assets, namely the expansion of the plant in Misinto, and investments for €1.9 million in intangible fixed assets, including for the refurbishment of the New York store and the roll out of a new enterprise resource planning (ERP) software. For the year ended December 31, 2016, investing activities absorbed cash flow of €6.8 million primarily due to investments in a new leather cutting machinery, production moulds, hardware and two new stores in Paris and New York.

Cash flows from / (used in) financing activities

Cash flow used in financing activities increased by €20.4 million from a negative amount of €18.3 million for the six months ended June 30, 2017 to a positive amount of €2.1 million for the six months ended June 30, 2018. The decrease reflects the fact that, in the six months ended June 30, 2017, B&B repaid on a voluntary basis €13.9 million of indebtedness outstanding under the B&B Existing Senior Facilities, in addition to the payment of instalments due under such facilities for an amount of €3.9 million, whereas debt repayments in the same period of the prior year were significantly lower.

Cash flow used in financing activities increased by €12.4 million from €5.8 million for the year ended December 31, 2016 to €18.2 million for the year ended December 31, 2017. The increase was primarily attributable to the fact that, for the year ended December 31, 2017, B&B repaid on a voluntary basis €13.9 million of indebtedness outstanding under the B&B Existing Senior Facilities. For the year ended December 31, 2016 cash flow used in financing activities primarily related to the payment of instalments due under such facilities for an amount of €7.4 million partially offset by the consolidation of the Arclinea debt and the recording of the negative fair value of the interest rate swap.

Cash flow used in financing activities amounted to €6.2 million for the year ended December 31, 2015 and primarily related to the repayment of approximately all of the indebtedness of B&B (predecessor entity). Such figure does not include the indebtedness incurred by the parent company (Durini 14 S.p.A.) in such year to acquire the B&B group pursuant to the B&B Existing Senior Facilities, equal to €131.0 million.

Flos Cash Flow Analysis

IFRS in € million	Year ended December 31,			Six-Month Period ended June 30,	
	2015	2016	2017	2017	2018
Net cash and cash equivalents at beginning of the period	**43.9**	**37.9**	**30.8**	**30.8**	**29.7**
Net profit for the year / period	**21.6**	**24.5**	**23.5**	**9.6**	**11.2**
Net cash flows from operations	19.6	16.4	26.3	8.8	9.2
Net cash flows used in investing activities	(67.6)	(7.1)	(7.1)	(4.0)	(4.5)
Cash flow from / (used in) financing activities	20.4	(40.9)	(43.8)	(23.9)	(17.4)
Net cash and cash equivalents at end of the period	**37.9**	**30.8**	**29.7**	**21.3**	**28.2**

Cash flows from operations and net profit for the year/period

Cash flow from operations, including net profit for the period, increased by €2.0 million from €18.4 million for the six months ended June 30, 2017 to €20.4 million for the six months ended June 30, 2018, primarily attributable to the turnover growth in the period, which was partially offset by higher absorption of working capital.

Cash flow from operations, including net profit for the year, increased by €8.9 million from €40.9 million for the year ended December 31, 2016 to €49.8 million for the year ended December 31, 2017. The increase was primarily due to the corresponding increase in Flos revenue over the period for the reasons discussed above.

Cash flow from operations, including net profit for the year, decreased by €0.3 million from €41.2 million for the year ended December 31, 2015 to €40.9 million for the year ended December 31, 2016. The decrease was primarily due to the higher working capital requirements at the of 2016 driven by a higher than usual inventory level for the sampling activities carried out in that period.

Cash flows used in investing activities

Cash flow used in investing activities increased by €0.5 million from €4.0 million for the six months ended June 30, 2017 to €4.5 million for the six months ended June 30, 2018. The increase was primarily due to increased capital expenditure on product development, both relating to software and tangible assets, such as molds for the development of products, a new LED product line at Ares and certain new machinery and plants at Flos.

Cash flow used in investing activities remained stable at €7.1 million between 2016 and 2017. For both years, investing activities included investments in tangible and intangible assets, such as software implementation and moulds. Investments in 2017 also included €0.4 million in connection with the acquisition of Flos Projets.

Cash flow used in investing activities decreased by €60.5 million from €67.6 million for the year ended December 31, 2015 to €7.1 million for the year ended December 31, 2016. The significant decrease was primarily due to the acquisition of Ares and Lukas Lighting in 2015 which absorbed €54.6 million in such year, whereas no acquisition was made in 2016.

Cash flows from / (used in) financing activities

Cash flow used in financing activities decreased by €6.5 million from €23.9 million for the six months ended June 30, 2017 to €17.4 million for the six months ended June 30, 2018. The decrease was primarily due to lower amounts of debt repaid in the first half of 2018 (€12.0 million) compared to the same period of 2017 (€16.8 million).

Cash flow used in financing activities increased by €2.9 million from €40.9 million for the year ended December 31, 2016 to €43.8 million for the year ended December 31, 2017. In each of 2016 and 2017, in addition to the repayment of certain ordinary and excess cash flow related instalments under outstanding debt, Flos voluntarily prepaid €20.0 million and €26.7 million, respectively, of debt outstanding under the Flos Existing Senior Facilities by using available cash on balance sheet.

Cash flow from financing activities was €20.4 million for the year ended December 31, 2015, and primarily reflected a share capital increase for €20.0 million funded by Flos' shareholders to finance part of the acquisition of Ares.

Louis Poulsen Cash Flow Analysis

Danish GAAP in DKK million	Year ended December 31, 2015	2016	2017	Six months ended June 30, 2017	2018
Cash and cash equivalents at beginning of the period[(1)]	**26**	**42**	**51**	**51**	**54**
Cash flows from operating activities	82	99	146	47	27
Change in working capital	*32*	*(28)*	*(20)*	*6*	*(26)*
Cash flows from / (used in) investing activities	(17)	(38)	(56)	-19	(21)
Cash flows from / (used in) financing activities	(49)	(52)	(87)	-54	(27)
Cash and cash equivalents at end of the period[(1)]	**42**	**51**	**54**	**25**	**33**

(1) Cash and cash equivalents includes cash and short-term debt to banks.

Cash flows from operating activities

Cash flow from operating activities decreased by DKK 20 million (or 42.5%) from DKK 47 million for the six months ended June 30, 2017 to DKK 27 million for the six months ended June 30, 2018. The decrease was primarily due to increased inventory levels and, more generally, an increased level of net working capital primarily due to the growth of the business.

Cash flow from operating activities increased by DKK 47 million (or 47.5%) from DKK 99 million for the year ended December 31, 2016 to DKK 146 million for the year ended December 31, 2017. The increase was primarily due to the corresponding increase in LP revenue and higher margins over the period for the reasons discussed above. The decrease in working capital is due to the continuation of an effort in reducing receivables and improving suppliers payments schedule.

Cash flow from operating activities increased by DKK 17 million (or 10.7%) from DKK 82 million for the year ended December 31, 2015 to DKK 99 million for the year ended December 31, 2016. The increase was primarily due to the corresponding increase in LP revenue over the period for the reasons discussed above. The decrease in working capital is a result of the initiative to reduce receivables and reconstruct the payment schedule to suppliers.

Cash flows from / (used in) investing activities

Cash flow used in investing activities increased by DKK 2 million (or 10.5%) from DKK 19 million for the six months ended June 30, 2017 to DKK 21 million for the six months ended June 30, 2018. The increase was primarily due to higher investments in the first half of 2018 in connection with IT and digitalization projects as compared to the first half of 2017.

Cash flow used in investing activities increased by DKK 18 million (or 47.4%) from DKK 38 million for the year ended December 31, 2016 to DKK 56 million for the year ended December 31, 2017, primarily due to increased investments in product development and IT, as well as the opening of new showrooms and the implementation of certain supply projects to increase the efficiency of the assembly lines in Denmark.

Cash flow used in investing activities increased by DKK 21 million from DKK 17 million for the year ended December 31, 2015 to DKK 38 million for the year ended December 31, 2016. The increase was primarily due to increased investment in the development of new products, in connection with the growth of LP business over the period.

Cash flows from / (used in) financing activities

Cash flow used in financing activities was DKK 54 million for the six months ended June 30, 2017, reflecting the repayment of financial indebtedness in such period. For the six months ended June 30, 2018, no such repayment occurred and the DKK 3 million cash flows from financing activities primarily reflects the incurrence of certain minor indebtedness at the local level.

Cash flow used in financing activities amounted to DKK 52 million for the year ended December 31, 2016 and reflected the repayment of a loan by using available cash from operations. For the year ended December 31, 2017, DKK 170 million were used to repay indebtedness through cash from operations as well as from the reduction of net working capital over the previous years.

For the year ended December 31, 2015, cash flow used in financing activities amounted to DKK 49 million, mainly reflecting the payment of instalments on outstanding debt to financial institutions as well as the repayment of debt to the parent company P-LP 2014 A/S, partially offset by a DKK 18 million cash increase of capital.

Capital Expenditure

For the past three years, our Combined Capital Expenditure amounted to approximately 3.5% of our Combined Total Revenues, on average, and primarily related to the development of new products, the opening of new directly operated stores, the maintenance and refurbishment of existing directly operated stores, machinery and equipment, as well as the acquisition of new plants and machinery, such as moulds for the development and manufacture of products.

Flos

	Year ended December 31,			Six months ended June 30,	
IFRS in € million	**2015**	**2016**	**2017**	**2017**	**2018**
Growth	—	0.2	1.2	0.8	0.4
Maintenance	6.6	7.8	6.5	2.8	4.1
Total capital expenditure	**6.6**	**8.0**	**7.7**	**3.6**	**4.5**

Flos' capital expenditures increased marginally over the periods under the review, primarily reflecting the growth of the business.

Expansion capital expenditure includes showroom restructuring for €0.2 million for the the years ended December 31, 2016 and 2017, the restructuring of the roof of Flos' headquarters in Bovezzo, certain digital investments and the environmental capital expenditure in Ares for €0.3 million, €0.1 million and €0.6 million for the year ended December 31, 2017, respectively. Maintenance capital expenditure primarily relates to ordinary course purchases of machinery, plants and moulds.

Flos expects capital expenditure in the second half of 2018 to be substantially in line with the first half of the year.

LP

	Year ended December 31,			Six months ended June 30,	
Danish GAAP in € million	**2015**	**2016**	**2017**	**2017**	**2018**
Growth	12	22	33	15	18
Maintenance	8	9	19	11	4
Total capital expenditure	**20**	**31**	**52**	**26**	**22**

Capital expenditure on tangible assets consistently increased over the periods under review mainly as a result of the initiatives undertaken by LP to expand the business, especially in connection with the product development initiatives that led to the launch of several new products, the investments made for the selection and roll out of new shop-in-shop and other third-party points of sale, investments in supply and improvement projects at their production facilities, as well as the opening of a new showroom in Los Angeles. The increase of capital expenditure on intangible assets primarily related to the launch of the new e-shop in digitalization projects generally the preparation for new e-commerce and aligning SAP templates across subsidiaries.

LP expects capital expenditure in the second half of 2018 to be approximately DKK 27 million, mainly related to the development and introduction of new products along with investments in sale digitalizations.

B&B

Italian GAAP in € million	Year ended December 31, 2015	2016	2017	Six months ended June 30, 2017	2018
Expansion	2.2	6.4	2.8	0.7	1.4
Maintenance	1.7	1.4	1.3	0.7	0.5
Total capital expenditure	**4.0**	**7.8**	**4.2**	**1.4**	**1.9**

B&B's capital expenditure for the periods under review was substantially stable, except for the year ended December 31, 2016 where B&B made higher than average expansion capital expenditure, equal to €6.4 million, related to the opening of the new B&B flagship stores in New York and Paris, the renovation of production machinery, such as the new leather cutting machine at the Novedrate factory and the 4-axis machine at the Misinto factory, as well as the purchase of equipment in connection with the launch of new B&B Italia and Maxalto products and the new outdoor lines.

B&B expects capital expenditure in the second half of 2018 to be between €3.0 million and €4.0 million, mainly related to the new store of Arclinea in Paris, investments in production and other minor investments.

Contractual Obligations

The following table summarizes certain categories of our contractual obligations and commitments owed to third parties (excluding any interest payments or such contractual obligations and commitments), by period, as of June 30, 2018 on an as adjusted basis after giving effect to the Transactions. The information presented in the table below reflects management's estimates of the contractual maturities of these obligations. These estimates may differ significantly from the actual maturities of these obligations. For further information on the adjustments to give effect to the Transactions, see "*Capitalization*".

in € million	Within 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Notes offered hereby	—	—	—	720.0	720.0
Flos[(1)]	4.1	2.6	7.7	—	14.4
Louis Poulsen[(2)]	2.3	2.1	2.0	—	6.4
B&B[(3)]	6.0	5.9	8.1	6.1	26.1
Total[(4)]	**12.4**	**10.6**	**17.8**	**726.1**	**766.9**

(1) Includes amounts due under the financial lease relating to Antares' headquarters, as well as the deferred acquisition purchase price of Lukas Lighting (€1.4 million) and Flos Projets (€0.3 million).
(2) Amounts relating to Louis Poulsen have been converted into euro at the exchange rate on June 30, 2018 of 0.134 euro per 1 DKK. Primarily includes leasing of real estate, vehicle and machinery.
(3) Primarily includes leasing of real estate.
(4) Excludes the Revolving Credit Facility, which we expect to be undrawn on the Completion Date. The Revolving Credit Facility matures six months prior to the maturity of the Notes.

Contingent Liabilities

Flos

Flos normally provides warranties for general repairs pursuant to contracts with its customers, especially in connection with LED products, given the technology is relatively new and LED performance over the long term is still untested. Extended warranties or maintenance services are usually not provided. The amount of the provisions for such contingencies included in Flos financial statements as of June 30, 2018 was €2.5 million.

LP

LP is legally required to supply certain warranties for its products and makes accruals to cover any claims raised. As of June 30, 2018, the amount of the related provisions was DKK 2.6 million.

B&B

In its Contract division, when B&B receives advance payments in connection with a project, it may from time to time be required to provide the relevant customer with bank guarantees and/or performance bonds to protect the customer in case of non-performance by B&B of its obligations under the relevant contractual arrangements. As of June 30, 2018, B&B bank guarantees and performance bonds given to third parties amounted to €4.3 million, €1.4 million of which related to contracts in the hospitality sector. See "*Risk Factors—Risks related to our business—We may be subject to production and litigation risks associated with their commercial contract divisions*".

Off-balance Sheet Arrangements

None of Flos, Louis Poulsen and B&B is party to any material off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Our activities and debt financing expose us to a variety of risks, the most significant of which are exchange rate risk, interest rate risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimize the potential adverse effects of such risks.

Exchange Rate Risk

The reporting currency of Flos and B&B is the euro and that of Louis Poulsen is the Danish kroner. Each of Flos, Louis Poulsen and B&B operates on an international level and is therefore exposed to foreign currency exchange risk, primarily related to (i) the fact that a portion of their revenues and costs is denominated in currencies other than their relevant reporting currency and (ii) the translation effect resulting from the consolidation of foreign subsidiaries which report a currency different from the relevant group reporting currency.

Flos

Flos is partially exposed to the fluctuation of the U.S. dollar against the euro as a portion of its revenue is denominated in such currency (11.5% for the year ended December 31, 2017). Accordingly, a depreciation of such currency against the euro has normally a negative impact on Flos' revenue, although negative impacts are partially offset by certain of Flos' costs that are also denominated in U.S. dollars. To a lesser extent, Flos is also exposed to fluctuations in the value of Chinese renminbi, Danish kroner, GBP, Japanese yen, Norwegian kroner, Swedish kroner and Singapore dollars, either through sales, costs or both denominated in these currencies. However, given Flos generates most of its revenue and incurs most of its costs in euro, it has chosen not to engage in foreign exchange hedging, as it believes that the amount of revenue generated in currencies other than the euro naturally partially offsets the costs incurred in such other currencies.

LP

LP operates internationally and is partially exposed to foreign exchange fluctuations in the Japanese yen, the Swedish krone, the Norwegian krone, the U.S. dollar, the Pound sterling, the Swiss franc and the Chinese renminbi, as a portion of its revenue is denominated in such currencies. The foreign exchange exposure to some of these currencies, in particular the U.S. dollar, is partly mitigated by costs denominated in the same currencies. As the Danish krone is pegged to the euro, LP does not regard euro as a currency risk. Louis Poulsen normally enters into forward exchange contracts to secure sales in the following currencies: Japanese yen, Swedish kroner and Norwegian kroner.

B&B

B&B is partially exposed to the fluctuation of the U.S. dollar and the GBP against the euro as a portion of its revenue is denominated in such currencies (18.0% and 5.6% for the year ended December 31, 2017, respectively). Accordingly, although negative impacts are partially offset by certain of B&B's costs that are also denominated in U.S. dollar and GBP, a depreciation of such two currencies against the euro has normally a negative impact on B&B's revenue. As of the date of this Offering Memorandum, B&B is not party to any foreign exchange derivative contracts to mitigate the operational risk of currency exchange fluctuations. However, B&B has used such instruments in the past and may decide to do so in the future based on, *inter alia*, available market conditions.

Interest Rate Risk

For the periods under review, we were subject to interest rate risk mainly as a result of the Flos Existing Senior Facilities, certain minor bank debt at LP and the B&B Existing Senior Facilities Agreement. Flos and B&B have historically used derivative financial instruments, including swaps on interest rates, to hedge the interest rate risk. Going forward, we are considering entering into hedging arrangements in connection with the Floating Rate Notes to mitigate the potential adverse effects of changes in interest rates.

Credit Risk

Credit risk represents our exposure to potential losses due to counterparty inability to discharge the obligations undertaken. This exposure relates almost exclusively to trade receivables deriving from the sale of products and services. We consider our credit risk to be low given the high fragmentation of the customer base. We also use procedures to limit overdue balances, assign maximum credit limits to customers and send customers reminders when balances are due. With respect to overdue receivables, any write-down recorded in our financial statements is determined based on an analysis of doubtful debts. Our credit collection performance has historically been successful and losses incurred in the past have been modest. As of December 31, 2015, 2016 and 2017 and June 30, 2018:

- Flos bad debt provision was substantially stable at €1.5 million, €1.6 million, €1.6 million and €1.8 million, respectively;
- LP bad debt provision was DKK 1 million, DKK 2 million, DKK 1 million and DKK 1 million, respectively; and
- B&B bad debt provision was €3.2 million, €4.3 million, €4.5 million and €4.5 million, respectively.

Liquidity Risk

Liquidity risk is the risk we will not have enough financial resources available to meet our financial obligations and commitments when due. In particular, the two main factors that determine the dynamics of our liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Each of Flos, LP and B&B has historically put in place certain procedures aimed at optimizing cash flow management and reducing the liquidity risk, including, the maintenance of an adequate level of available liquidity and adequate borrowing facilities being put in place.

On or about to the Issue Date, we will enter into the Revolving Credit Facility Agreement which provides for a €100.0 million Revolving Credit Facility which we anticipate to remain undrawn as of the Completion Date. However, in the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on or around the Completion Date to fund any shortfall to complete the Transactions.

Significant Accounting Policies and New Accounting Standards

For a discussion of the critical accounting estimates and judgments and certain new accounting standards affecting Flos, LP and B&B, as applicable, please see the notes to the Flos Consolidated Financial Statements, the LP Consolidated Financial Statements and the B&B Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Following the consummation of the Acquisitions, the Issuer will prepare its consolidated financial statements under IFRS as adopted by the EU using the standards applicable at that date. Depending on whether the consummation of the Acquisitions will occur before or after December 31, 2018, the first annual consolidated financial statements of the Issuer will be as of and the for the year ended December 31, 2018 or as of and the for the year ended December 31, 2019. The Acquisitions will be accounted for in the first consolidated financial statements of the Issuer at the acquisition date applying IFRS 3 "Business Combination" as an accounting policy election applicable to joint ventures upon formation, and will apply the recognition and measurement criteria established by the other IFRSs applicable at that date. A number of new standards are effective for annual periods beginning after January 1, 2019. Of those standards that will become effective IFRS 16 is expected to have a material impacts on the Issuer consolidated financial statements in the period of initial application. Set forth below is a narrative description of the new standard IFRS 16.

IFRS 16

The International Accounting Standards Board issued IFRS 16 ("**Leases**") in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It will remove the distinction between "operating leases", which are reported on a company's statement of profit or loss and "finance leases", which are reported on a company's statement of financial position. Under the new standard, a lease is defined as a contract that provides the right to use an asset for a period of time in exchange for consideration. Therefore, companies that are lessees are required to recognize a lease liability for the obligation to make lease payments for the right to use the underlying asset for the term of the lease. IFRS 16 will effectively require companies that are lessees, including the Group, to report all leases as assets and liabilities on their statements of financial position. It will become effective from January 1, 2019 but may be implemented by companies prior to this date. We are currently analyzing the potential impact of the first-time application of this standard on the consolidated annual accounts of each Target and the Group. We have not yet completed the process, given the various transition options established by this standard for first-time application. Even though a quantitative determination of the impacts of the adoption of IFRS 16 has not been performed yet, given that to carry out our activity we lease certain facilities and other properties, for periods in excess of one year, the application of IFRS 16 in 2019 is expected to have an impact on our accounts. See also "*Description of Notes—Certain definitions—IFRS*" and "*Description of Notes—Certain definitions—Capitalized Lease Obligation*" for information regarding the treatment of lease accounting under the covenants to be included in the Indenture.

INDUSTRY AND MARKET DATA

In this section, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data and market forecasts set forth below were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include the Industry Report. Industry reports, publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry reports, publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with the aforementioned external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See "Risk Factors" and "Forward-Looking Statements". Prospective investors should not place undue reliance on any forecasts presented below and should make their own independent assessment of our future prospects and the risks relating to the markets in which we operate.

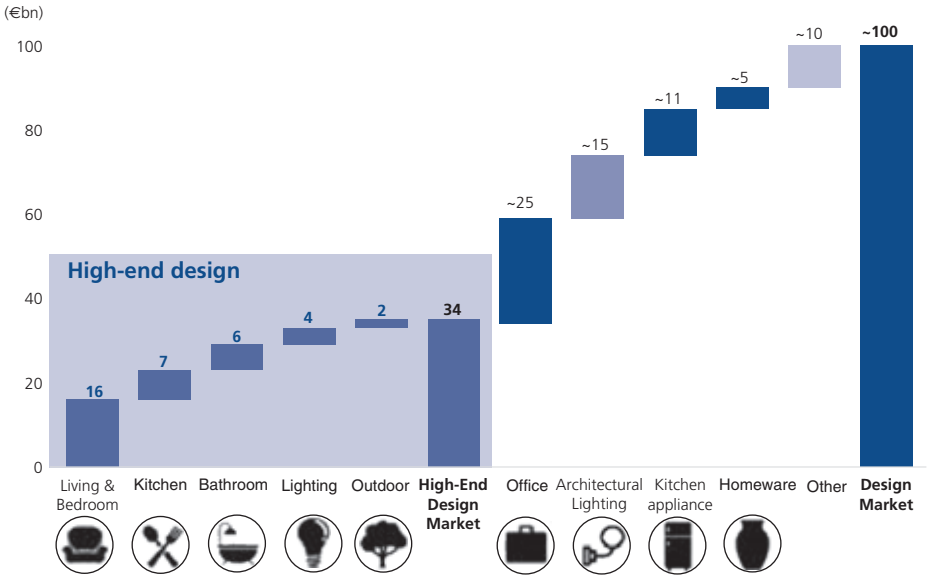
Market Overview

We operate in the high-end design market, which accounted for approximately one third of the total design market by retail value globally in 2016.

The key segments within the high-end design market are:

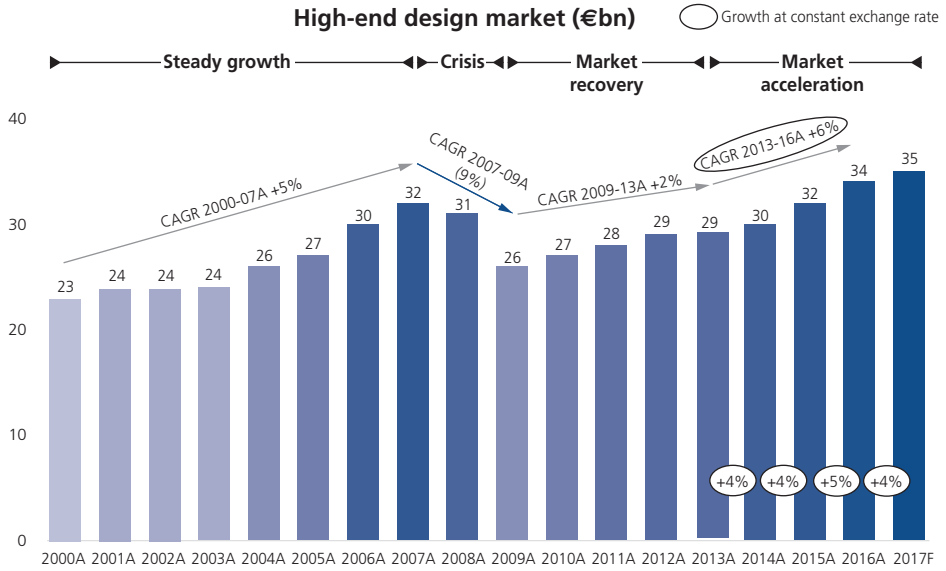
- Living and Bedroom: includes living room and bedroom products such as upholstery, beds, drawers, tables, cabinets, desks, chairs and other furnishings;
- Kitchen: includes fitted kitchens, kitchen units, cupboards and other furniture and decorative items;
- Bathroom: includes bathroom equipment products such as bath tubs, whirlpools, ceramics, bathroom furniture, sanitary fittings, faucets, shower units and related accessories;
- Lighting: includes lighting products for both indoor and outdoor use such as pendants, floor lamps, wall lamps, light fixtures, fittings and other lighting products; and
- Outdoor: includes outdoor furniture items such as tables, sofas, chairs and other items for residential and commercial use.

The segmentation of the total design market, including the high-end design market in which we operate, is represented below.



Source: Industry Report

The global high-end design market has been growing steadily over the last decade. Between 2007 and 2009, as a result of the global recession, the market contracted by approximately 9% on a compound annual basis, driven by the tightening of available credit and the decline in real estate development. However, since 2009, the market has grown steadily, surpassing pre-crisis levels by 2015. Before the global recession, the market grew at a CAGR of approximately 5% and between 2009 and 2013 at a CAGR of approximately 2%. From 2013 to 2017, global market growth in the high-end design market accelerated with a CAGR of approximately 5%, reaching approximately €35 billion in retail value in 2017.



Source: Industry Report

General Factors Affecting Our Market

Macro-economic and demographic factors

The high-end design market is characterized by a number of consumer trends that are segment-specific. However, the market is generally influenced by three key factors:

- GDP growth;
- real estate market conditions; and
- consumer confidence and disposable income.

These factors tend to affect or reflect consumer behavior towards the purchasing of lighting and furniture products. While demand for high-end design products is generally less price-elastic than for products in other segments of the total design market, slowdowns in real estate development during recession years also affect high-end design products demand.

Other factors affecting market performance include demographic and socio-economic trends, such as:

- increasing urbanization rates, especially in emerging economies;
- decreasing average household size;
- improving availability of western consumer goods driven by the increasing prevalence of large organized retail chains in many large emerging economies; and
- rapid growth of middle and high-income middle classes in emerging markets, who are increasingly oriented towards sophisticated and high-end design products.

Other factors

Demand is also affected by product innovation deriving from technological advances. The introduction of LED technology in the lighting segment, for instance, has fostered the design of new products, while also lowering production costs. The efficiency of LED technology has acted as a further driver of demand, bolstered by the importance of energy saving solutions in modern projects and certifications (*e.g.* LEED).

Other factors influencing demand are the availability of credit (including both the availability of financing for real estate developments and the provision of mortgage financings) and the product replacement cycle (*i.e.* the frequency with which consumers purchase replacement products). Consumer spending trends across different segments show that:

- the Lighting and Outdoor segments are generally characterized by shorter replacement cycles and lower average pricing per item (given the typically smaller size of these items); and
- the Kitchen segment is generally characterized by longer product replacement cycles and higher pricing per item.

Segments Overview

While our product portfolio spans all segments of the high-end design market, we primarily operate in the Living and Bedroom and the Lighting segments.

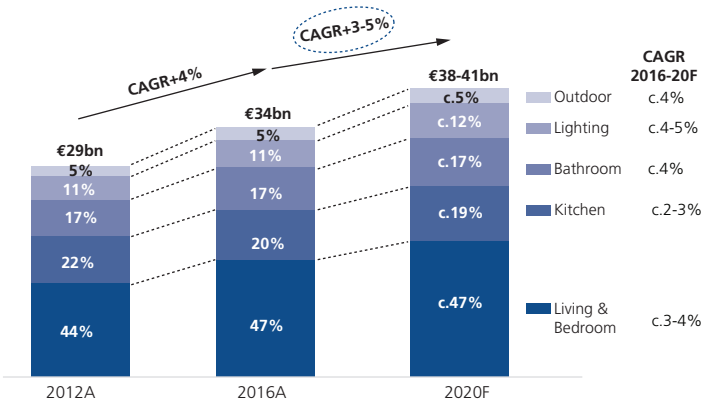
Living and Bedroom represents the largest segment of the high-end design market, accounting for almost half of total value. The segment has been one of the fastest growing in the last five years (including 2016), benefiting from growth in the Contract channel and "brandization" (*i.e.* increasing consumer awareness of and preference for branded furniture and lighting products).

Lighting has been the fastest growing segment, growing at a 4% to 5% CAGR between 2012 and 2016. The segment has benefited from the introduction of LED technology, which has both

spurred product innovation and triggered a regulatory-driven replacement cycle towards more energy-efficient lighting solutions. The Lighting segment accounted for approximately 11% of the high-end design market by value of goods sold in 2016.

Lighting is expected to remain the fastest growing segment in the high-end design market, with a forecasted CAGR of approximately 4-5% between 2016 and 2020, driven by the shift to LED, energy-saving solutions (supporting the replacement cycle) and the trend toward smart controls. The Living and Bedroom segment is also expected to be a significant contributor to growth, supported by the rising standards of living across the globe and increasing urbanization.

High-end design market outlook (€bn)



Source: Industry Report

Note: Segment shares in 2020 (forecast) have been computed by applying the forecast compound growth between 2017 and 2020 (forecast) to 2016 (actual) segments

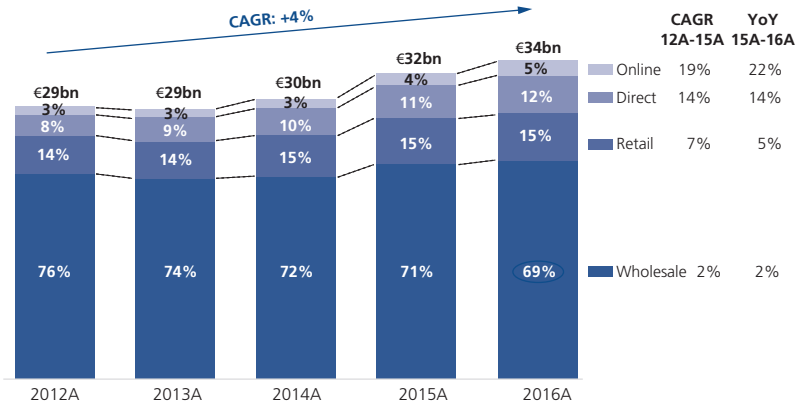
Channel Overview

The distribution of high-end furniture and lighting products occurs through both direct and indirect channels:

- Wholesale: includes products sold through a network of third-party distributors, agents, and dealers across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers, to various types of customers including personal consumers, architects, designers, contractors, developers and corporate customers;
- Retail: includes products sold by the producer through dedicated directly-operated stores (comparable to the Group's DOS sales channel);
- Contract: includes bespoke design services for residential and commercial customers; and
- Online: includes sales through both directly operated and third-party operated e-commerce websites (in contrast to the Group's direct online channel, which only includes directly operated e-commerce websites).

Wholesale represents the largest channel by retail value. The wholesale channel is growing at a slower pace than historically due to structural reasons, including traditional value proposition based on proximity and personal relationships being challenged. Retail has been increasing its share of the market, growing at a CAGR of approximately 6% between 2012 and 2016, mainly following the growth of large U.S. retail players. The Contract channel itself has also been gaining share, together with Online.

High-End Design Market (€B) – Split by Channel

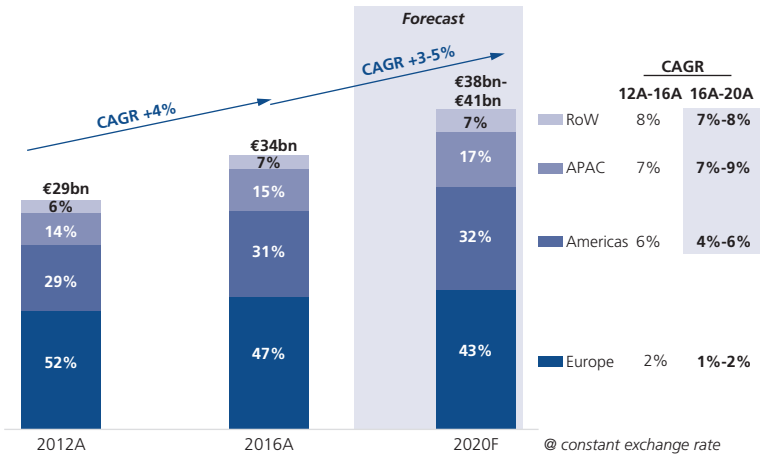


Source: Industry Report

Geographic Overview

Europe (including Turkey and Russia but excluding the Middle East and Africa) accounts for approximately half of the global high-end design market, the Americas (including North and South America) for approximately 31%, APAC (including Asia and Japan but excluding Australia and New Zealand) for approximately 15% and the Rest of the World for approximately 6%. The increasing importance of the APAC region in the global high-end design market has been driven by continued demand throughout the post-crisis period. Less pronounced market growth in Europe in recent years has led to an increase in the relative share of APAC and the Americas in the overall market.

Improving GDP growth in the world's larger economies, growing home ownership rates, a rising class of middle and high-income consumers in emerging markets and the ongoing Westernization of Asian consumer preferences are expected to have a positive impact on future demand for products in the high-end design market. We expect the increase in demand will be driven primarily by the Americas and the APAC region. Demand in the Americas is expected to further benefit from increasing house sizes, while demand in the APAC region will be supported by a strong housing market, estimated to grow at a CAGR of approximately 7 to 9% between 2016 and 2020.



Source: Industry Consultant Report

Competition

We distinguish three main groups of competitors in the markets in which we operate:

- pure design, personal luxury and designer-driven brands;
- premium design brands; and
- branded retailers.

Pure design brands (which include Flos, B&B and Louis Poulsen) are usually European independent players who have developed significant design heritage through a long track-record of iconic products. Pure design brands are characterized by their strong design DNA, collaborations with prestigious architects and designers, iconic products and international reach, primarily through multi-brand retailers, as well as by their high specialization and strong production skills. Other notable pure design brands include Artemide, Vitra, Poltrona Frau and Bulthaup.

Personal luxury brands are typically large luxury brands that have diversified into homewares. Personal luxury brands rely on their brand strength to market their products and as a result, the design of the products tends to reflect the influence of the style of the brand's creative directors. Personal luxury brands typically rely on external production to and utilize a mixed distribution model, with sales through a combination of multi-brand retailers and directly operated stores. Personal luxury brands include brands such as Armani Casa, Fendi Casa, Kenzo and Versace.

Designer-driven brands are typically managed by a single iconic designer who leverage their "brand name" to generate demand. Designer-driven brands tend to position their products as a lifestyle offering, characterized by a strong identity and recognizable style. Production of designer-driven brands is typically external. Examples of designer-driven brands are Liaigre and Visionnaire.

Premium design brands are typically Lighting and Furniture retailers that either have general upper-premium positioning (with differences among geographies) or have more mainstream positioning but have extended certain product lines into the upper-premium range. This includes brands such as Ligne Roset, Cattelan Italia, Moen and Kos.

Branded retailers are typically geographically-specific mono-brand retailers with an upper-premium positioning, such as Restoration Hardware, Williams Sonoma and Design Within Reach.

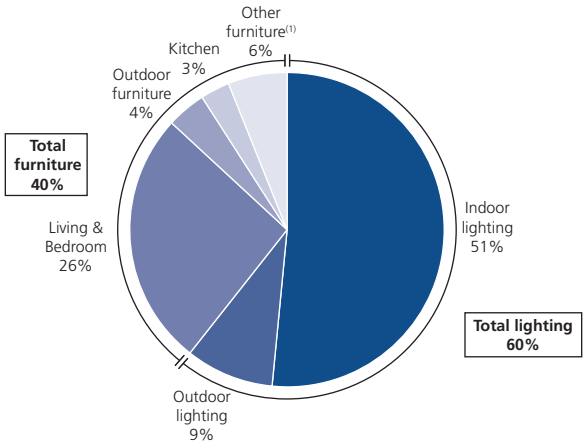
The degree of competition among these brands differs by geographic area. Branded retailers have had considerable success in the U.S. market and their significant growth over the last few years has been partially linked to the overall positive performance of the U.S. economy. Branded retailers accounted for approximately 15% of the total high-end design market by value in 2016 (actual). Pure design brands tend to be more common in the European market, but are also present in the U.S. market, predominantly in large cities such as Los Angeles and New York. The competitive environment in Europe remains more fragmented, with small pure design brands addressing specific customer segments or serving a specific design taste in niche markets. Personal luxury brands are more popular in emerging economies, which is where most of their revenues originate. The global market is dominated by pure design brands, which accounted for approximately 63% of the total design market by retail value globally in 2016.

OUR BUSINESS

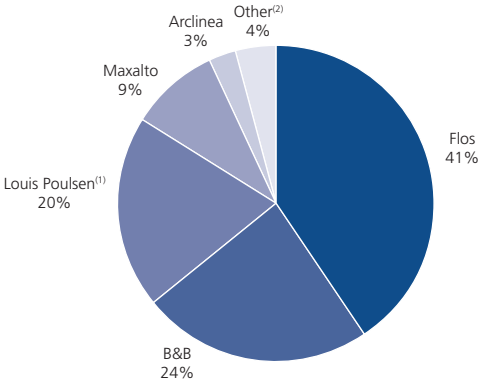
Overview

We design, produce, distribute and sell high-end lighting and furniture solutions, bringing together three companies with leading positions in the global high-end design market: Flos, an Italian lighting producer, Louis Poulsen, a Danish lighting producer, and B&B, an Italian furniture producer. With Pro Forma Group Revenue of €534.5 million, Target Group Synergized EBITDA of €135.3 million and Pro Forma Group Net Profit of €33.0 million for the twelve months ended June 30, 2018, we are the global leader in the high-end design market. We benefit from the unique brand heritage and iconic products of each of Flos, Louis Poulsen and B&B and provide a complementary, high-end offering across a broad range of product categories, brands, sales channels and geographic areas. We believe that the joint strategic direction of these three standalone businesses, together with our long-standing relationships with top designers and specifiers (parties that are involved in our customers' purchasing decisions but are not the end users, such as architects, developers and lighting engineers), our recognizable and strong brands, our broad and diversified offering of top quality products, our extensive geographical footprint and the omni-channel approach of our distribution network will generate cost and revenue synergies, expand our customer reach and product portfolio and position us well to deliver strong cash generation and growth, with the goal of becoming the one-stop shop for high-quality design furniture and lighting products for both individuals and businesses around the world.

For the twelve months ended June 30, 2018, we would have generated approximately 60% of our Aggregated LTM Revenue from the lighting category, which includes both indoor and outdoor products, with our lighting brands Flos and Louis Poulsen accounting for approximately 40% and approximately 20% of such Aggregated LTM Revenue, respectively. We would have generated approximately 40% of our Aggregated LTM Revenue from the furniture category, which includes, amongst other product categories, living room and bedroom products, outdoor products and kitchens, with our furniture brands B&B Italia, Maxalto and Arclinea (all of which belong to the B&B group) accounting for approximately 24%, approximately 9% and approximately 3% of such Aggregated LTM Revenue, respectively. The following charts set forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by product category and brand:



(1) Other furniture includes revenues from B&B's Contract division and from B&B bathroom products.



(1) Louis Poulsen includes an immaterial portion of non-Louis Poulsen branded revenues (e.g. Targetti).
(2) Other includes revenus from B&B's Contract division that are not branded B&B Italia, Maxalto or Arclinea.

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

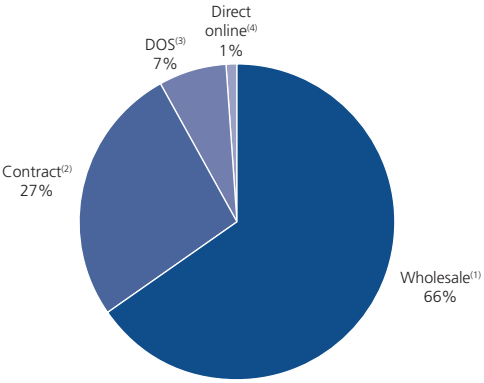
(i) *Wholesale.* Our wholesale channel comprises over 4,700 brick-and-mortar points of sale located around the world across a range of formats, including third-party mono-brand stores and shop-in-shops, corners and displays within multi-brand design retailers, as well as online third-party retailers;

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

(iii) *Directly-Operated Stores* ("**DOS**"). Our DOS channel comprises retail stores that are directly managed from our headquarters and sell only products from Flos and B&B, either individually by company or in a combination with products from our other companies; and

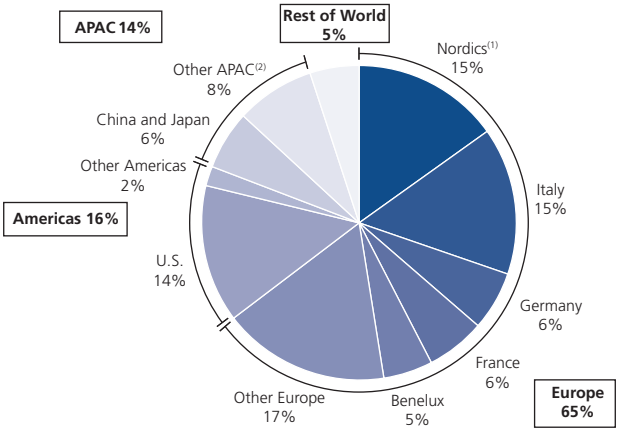
(iv) *Direct online*. Our direct online channel consists of e-commerce websites selling products from Flos in the U.S. and Louis Poulsen in Denmark, Sweden, Norway and Germany.

The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by sales channel:



(1) Wholesale includes all of Louis Poulsen's B2C Division revenues, excluding revenues derived from the direct online channel.
(2) Contract includes all of Louis Poulsen's B2B Division revenues.
(3) DOS includes revenues from directly operated Flos and B&B stores.
(4) Direct online includes revenues from Flos' U.S. e-commerce website and LP's direct e-commerce websites in Denmark, Sweden, Norway and Germany.

We operate directly or indirectly in more than 80 countries around the world. The following chart sets forth a breakdown of our Aggregated LTM Revenue for the twelve months ended June 30, 2018 by geography:



(1) Nordics includes Denmark, Sweden, Norway and Finland.
(2) Other APAC includes New Zealand and Australia.

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

Our diversified sales organization is supported by a strong digital presence, with a number of initiatives underway to support the online presence of each of our companies, including expanding or revamping websites and focusing on driving customer engagement through digital channels, with an inbound marketing tool for business-to-business ("**B2B**") lead generation introduced at Flos, a new customer relationship management ("**CRM**") portal under development at B&B and a partner portal with associated sales application, content hub and loyalty program in development at Louis Poulsen. We are continuing to invest in the digitalization of our business model in order to create and support direct relationships with current and future clients and enable us to access a new younger, affluent and urban customer base.

We believe that the combination of the businesses and brands present opportunities for revenue synergies, including through the selective expansion of the store network, cross-selling among brands, new retail concepts that include products from all three brands, a combined project team within the contract channel that will be well placed to deliver technical and design knowledge across a variety of sectors utilizing complementary combinations of Flos, Louis Poulsen and B&B products, and a joint e-commerce initiative. We expect that the integration of certain administrative functions of Flos, Louis Poulsen and B&B will also provide opportunities for cost synergies, including through the development of a combined IT platform, the implementation of an efficient inventory and receivables management program and the expansion of B&B's headquarters in Novedrate to support business growth, while maintaining the unique, individual design identity that characterizes each brand. See "*—Our Strategies—Drive operational excellence and maximize synergy deployment from Group integration*". Additionally, we believe

the Italian and Danish design philosophies underpinning our brands are complementary and maintain distinctive appeal to customers.

Our Competitive Strengths

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

Leadership position in a fragmented high-end design market with highly attractive growth prospects

We estimate that we are the largest global design company by revenue in the fragmented high-end design market. With €534.5 million in Pro Forma Group Revenue, Target Group Synergized EBITDA of €135.3 million and Pro Forma Group Net Profit of €33.0 million for the twelve months ended June 30, 2018, we believe we were approximately 1.5 times larger than our closest competitor based on our analysis of publicly available financial data for 2017. The high-end design market, the size of which was estimated at approximately €34 billion in 2016 in retail selling price terms, has been growing steadily since the 2009 global financial crisis, with a compound annual growth rate ("**CAGR**") of 4% from 2012 to 2016. Within the high-end design market, our core product categories of living and bedroom and lighting were the fastest growing segments, with an average CAGR of approximately 5% between 2012 and 2016, outpacing global macroeconomic growth. The growth of the high-end design market is expected to continue at a CAGR of between 3% and 5% from 2016 to 2020, supported by favorable market drivers such as increased global GDP, decreased unemployment and strong housing markets, with greater growth expected in the Asia Pacific ("**APAC**") region, North America and other non-European geographic regions.

Within the high-end design market, lighting is expected to be the fastest growing segment, with an expected CAGR of approximately 4-5% from 2016 to 2020. This growth is expected to primarily be driven by the rapid technological development in the sector, including the shift to LED technology, the development of energy-efficient lighting solutions and compatibility with smart control systems. In particular, the shift to LED, with its lower manufacturing costs, ease of large scale production and versatility, allows us to expand our lighting product portfolios in an innovative and cost-efficient manner including through developing shapes or styles of lighting products that were not possible without LED technology, such as the Arrangements collection from Flos.

The living and bedroom segment is expected to be the second-fastest growing segment, with an expected CAGR of approximately 3-4% from 2016 to 2020, primarily driven by rising standards of living worldwide, in particular in emerging markets. With more than 85% of our Aggregated LTM Revenue generated by the lighting and living and bedroom categories, we believe that we are well placed to capitalize on these growth areas in the medium term.

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

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

Our business is diversified across product categories, geographies and distribution channels. We currently operate in two product category sectors, lighting and furniture, which would have generated approximately 60% and approximately 40% of our Aggregated LTM Revenue, respectively. The lighting category may be further sub-divided into indoor and outdoor lighting, which would have generated approximately 51% and approximately 9% of our Aggregated LTM Revenue, respectively. The furniture category may be further sub-divided into living and bedroom (representing approximately 26% of our Aggregated LTM Revenue), kitchen

(representing approximately 3% of our Aggregated LTM Revenue for such period), outdoor furniture (representing approximately 4% of our Aggregated LTM Revenue) and other furniture (including revenue from the B&B Contract division and from B&B bathroom products and generating approximately 6% of our Aggregated LTM Revenue).

Geographically, our business benefits from a diversified reach, with more than 80 countries served and no one country generating more than approximately 15% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018. Customers outside of our home geographies of Italy and the Nordics generated approximately 70% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018, with non-European sales representing approximately 36% of our Aggregated LTM Revenue for such period. Customer growth in recent years has been primarily driven by the Americas and the APAC region, with these regions generating approximately 17% and approximately 14% of our Aggregated LTM Revenue for such period. We expect the APAC region and the Americas to continue to drive growth, with consistent demand also expected in the Nordics and Western Europe.

We also benefit from a diversified distribution network comprised of four distribution channels (wholesale, contract, DOS and direct online sales) enabling us to reach a broad range of customers in a cost-efficient manner. For further details on our distributions channels, see "*—Omni-channel distribution network optimizing client reach and maximizing brand strength*".

Finally, in addition to a diversified mix of product categories, geographies and distribution channels, we benefit from low customer concentration risk. For the twelve months ended June 30, 2018, Flos' top 10 customers generated 10.4% of Flos' revenue, with no one customer generating more than 3.1% of Flos' revenue, and Louis Poulsen's top 10 customers generated 3.9% of Louis Poulsen's revenue, with no one customer generating more than 1.0% of Louis Poulsen's revenue. During the same period, B&B's top ten customers generated 16.3% of B&B's revenue, with no one customer accounting for more than 2.6% of B&B's revenue (in each case excluding Arclinea).

Highly resilient portfolio of iconic designs and breakthrough innovations

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

In addition, we believe that the balance between iconic and innovative products in our portfolio also translates into limited concentration risk in terms of revenue, with the 30 products representing the top ten best-selling products from each of Flos, Louis Poulsen and B&B generating in aggregate only approximately 27% of our Combined Total Revenue for the year ended December 31, 2017. Many of our products also benefit from high product longevity, with designs from as early as 1925 continuing to be popular and to inform the development and production of new designs. For the year ended December 31, 2017, our iconic products (*i.e.*, lighting products designed before 1980 and furniture products designed before 2000) accounted for approximately 9% of our Combined Total Revenue.

Our internal research and product development teams work closely with our designers to continually update and reconfigure iconic pieces to meet the evolving needs and tastes of our customers while maintaining the identity of each of our brands and the distinctive original features that loyal customers worldwide have long associated with our products. We also launch new products on an ongoing basis to complement our portfolio of heritage designs. For the years

ended December 31, 2015, 2016 and 2017, each of Flos, Louis Poulsen and B&B launched 16, 14 and 13 new products (including upgrades of existing products) on average per year, respectively. Over the same periods, 28.1%, 20.0% and 21.6% of Flos, Louis Poulsen and B&B revenue, respectively, derived from the sale of products launched since 2013. Our efforts in research and product development and innovation in both design and technology ensure both the longevity of our iconic products and the continued introduction of creative and successful new designs.

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

We operate our brands through four distribution channels: wholesale, contract, DOS and direct online sales. This omni-channel distribution network helps us in our efforts to optimize client reach and maximize the strength of our brands. For the twelve months ended June 30, 2018, the wholesale channel generated approximately 66% of our Aggregated LTM Revenue, the contract channel approximately 27% of our Aggregated LTM Revenue, the directly-operated store network approximately 7% of our Aggregated LTM Revenue and direct online sales approximately 1% of our Aggregated LTM Revenue.

Wholesale

Within the wholesale channel, we sell Flos products through approximately 2,400 third-party points of sale, Louis Poulsen products through approximately 1,300 third-party points of sale and B&B products through over 1,000 third-party points of sale (of which approximately 300 carry Arclinea kitchens), with locations in over 80 countries around the world. These include brick-and-mortar sales points and online third-party dealers, in a range of formats from third-party mono-brand stores to shops-in-shops, corners and displays located in third-party multi-brand stores. The wholesale channel enables us to increase customer reach while limiting distribution costs. We benefit from long-standing customer relationships within our wholesale channel, with many of our dealers having sold products from our respective brands for five years or more.

Contract

Our contract channel delivers "turn-key" solutions to commercial customers on a large scale and gives us the opportunity to interact with a separate consumer demographic that is not typically accessible through traditional retail outlets, such as those in the hospitality, retail, residential design and office industries. Key customers within the contract channel include United Airlines, Salvatore Ferragamo, Apple, Bulgari Hotels, Rolex, Bentley and, especially for the outdoor lighting category of Louis Poulsen, public administrations, such as local government agencies and schools. We believe the wide variety of commercial customers and the larger scale of contract projects make our contract channel a strong vehicle for cross-selling opportunities, increasing the visibility of our products and our market penetration. Although a large proportion of contract work is currently driven by B&B, combining our brands provides us with the opportunity to broaden the scope of our contract work, offering a floor-to-ceiling contract service encompassing furnishings from B&B, kitchens from Arclinea and lighting solutions from Flos and Louis Poulsen.

DOS

Our DOS distribution channel is a powerful marketing tool that drives brand awareness, allows full control over our brands and often provides enhanced visibility to our end customers. As of June 30, 2018, Flos and B&B operated a total of seven and eight DOS, respectively, and Louis Poulsen had nine showrooms, all located in key luxury markets around the world in cities such as Milan, London, New York, Paris and Hong Kong. DOS and directly-operated showrooms are a highly valuable distribution channel as they not only drive sales, but also increase brand strength, serving as a hub for marketing events and design fairs. Louis Poulsen showrooms, while not operated as points of sale, are an important vehicle for driving sales, as customers who visit showrooms are encouraged to make purchases through the Louis Poulsen e-commerce site using sales terminals located in each showroom.

Direct Online Sales

While currently only utilized in select markets by Flos and Louis Poulsen, we believe direct online sales represent a strong growth opportunity for the Group. Louis Poulsen currently makes direct online sales in Denmark, Sweden, Norway and Germany and intends to expand its reach with a global web shop in 2019. Direct online sales are currently available through Flos' website in the United States. Although B&B does not currently conduct any direct online sales, it is considering pursuing opportunities to sell certain types of products online, such as smaller furniture items and accessories. Each of our brands also benefits from a strong digital channel and social media presence, which supports brand awareness across all of our distribution channels and supports earlier customer acquisition, as compared to traditional sales channels. B&B's corporate website, bebitalia.com, receives more visitors than the websites of any of B&B's core competitors, with an average of 260,000 visits each month in the six months ended June 30, 2018. Flos launched a new corporate website in December 2017, which in addition to receiving a Digital Design Award (a recognition awarded by an international jury for the best of Italian digital design) for Best Corporate Website and being named SiteInspire's Site of the Week, recorded approximately 850,000 unique visitors in the six months ended June 30, 2018. Louis Poulsen has recently made significant investments in its social media presence, with its number of Instagram followers reaching 150,000 in September 2018 and its number of Facebook followers reaching 65,000 in September 2018. Flos' social media accounts have one of the largest followings among Italian design companies, with a fan base of over 490,000 followers across its social media accounts (including Facebook, Instagram, LinkedIn, Pinterest and Twitter) as of the date of this Offering Memorandum. B&B also benefits from a significant social media presence, with over 100,000 followers on Facebook and over 290,000 followers on Instagram as of the date of this Offering Memorandum.

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

Our business benefits from significant competitive advantages that make our business model difficult to replicate, including our iconic product portfolio, design heritage, long-standing relationships with top designers and specifiers and strong technical know-how. Our iconic brands benefit from association with a broad base of prestigious and globally renowned designers, such as Philippe Starck, Achille and Pier Giacomo Castiglioni, Jasper Morrison and Michael Anastassiades at Flos, Louise Campbell, Øivind Slaatto and Bjarke Ingels at Louis Poulsen and Antonio Citterio, Gaetano Pesce, Naoto Fukusawa and Mario Bellini at B&B, as well as Louis Poulsen's ownership of legacy designs by Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton. We believe our privileged relationships with such designers and our ability to attract new promising designers represent a significant competitive advantage. Our relationship with designers is mutually beneficial, as it allows us to expand our brand recognition across a wider customer demographic and adds value for the designers, who gain prestige and visibility by working with top furniture and lighting brands. Some of our designers have collaborated with our brands for many years, creating a strong design relationship and mutual understanding of the needs and preferences of our customer base. Many of our designer partners have received multiple awards and recognitions for their designs and have their designs held in the collections of museums around the world. For more information on our contractual arrangements with designers, see "*Our Business—Flos—Agreements with Designers*", "*Our Business—Louis Poulsen—Agreements with Designers*" and "*Our Business—B&B—Agreements with Designers*".

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

internally is fully consistent with the relevant brand's image and philosophy, which we believe is key to the success of any product and the continued integrity of our brands.

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

Strong financial profile demonstrating resiliency through economic downturns

Our brands have demonstrated long-term business resilience throughout the economic cycle, as evidenced by long-term revenue and EBITDA development. After declining at a CAGR of approximately 10% between 2007 and 2009, our revenue and EBITDA experienced relatively steady growth, with Combined Total Revenue growing at a CAGR of approximately 5% between 2009 and June 30, 2018. In 2009, the ratio of Combined Reported EBITDA to Combined Total Revenue was approximately 15%, marginally below 15% between 2009 and 2011, above 15% between 2011 and 2014 and increasing from 19% to 21% between 2014 and 2017. As a producer of high-end design products, we believe our retail end customer base has significant disposable income and tends to be less affected by the economic cycle than customers in other segments. In addition, over the past three to six years, our brands have implemented various initiatives to increase economic resiliency. For example, Flos has expanded its business in the custom and outdoor business divisions, as well as reduced its exposure to Italy, which decreased from approximately 24% of Flos' revenue in 2007 to approximately 18% in 2017. The development of LED products has also enabled Flos to decrease its component costs, while improving the duration of its products. Louis Poulsen has benefited from the growth of its business-to-consumer ("**B2C**") business division, which increased as a share of Louis Poulsen's total revenue from approximately 43% in 2015 to approximately 54% in 2017, positively impacting profitability. Beginning in 2014, Louis Poulsen initiated a range of operational improvements under the guidance of new management, including streamlined production operations and extension of product lines and the elimination of certain higher-cost manufacturing activities in the United States. At the B&B level, top-line growth has been supported by geographic and business line expansion, with significant growth coming from the Middle East and Asia and a consequent reduction in exposure to Italy, from 41% of B&B's revenue in 2007 to 18% in 2017. The acquisition of Arclinea in 2016 allowed B&B to expand into the kitchen market, diversifying its product reach as well as its customer base. In addition, B&B reduced its exposure to lower margin contract projects and has been able to increase the efficiency of its manufacturing processes. In addition to initiatives at each brand level, we believe that the combination of businesses within the Group will create a more diversified business with a reduced risk profile, decreasing geographical and business division dependencies and expanding the customer reach of each business.

Our strong cash generation is primarily driven by high profitability levels and low capital expenditure. Our results demonstrate a strong growth profile, with Combined Reported EBITDA growing at a CAGR of 18% from 2015 to 2017 and Reported EBITDA margins (defined as the ratio of Reported EBITDA for each company to each company's total revenue) that we believe are higher than the market average EBITDA margins in each of the segments in which we operate. We also have limited capital expenditure requirements, with Combined Capital Expenditures as a percentage of Combined Total Revenues of 3.7% for the twelve months ended June 30, 2018, driving high Combined Cash Conversion, reaching 83.9% for the twelve months ended June 30, 2018. Synergies at the Group level are expected to continue to streamline supply, manufacturing, operational and back-office functions, further reducing fixed costs and eliminating inefficiencies.

See "*Our Strategies—Drive operational excellence and maximize synergy deployment from Group integration*".

Approximately two thirds of our production was made to order in 2017. The make-to-order approach we adopt for a large portion of our products enables us to maintain control over the value chain. In addition, where we do not operate on a make-to-order basis, the long lifespan of our products lowers inventory risk. Moreover, approximately 60% of our cost base is variable, and Combined Net Working Capital represented only 8.0% of Combined Total Revenues for the year ended December 31, 2017, allowing us to react quickly to fluctuations in demand associated with economic events or seasonal purchasing patterns. In addition, we believe that our brand strength gives us strong pricing power, typically allowing us to pass the effects of increased raw material and component costs or adverse exchange rate fluctuations to our customers.

Experienced management team backed by committed shareholders

The executive teams at Flos, Louis Poulsen and B&B are highly experienced in leading and growing successful design businesses. Key executives from each company have been and will remain involved in the management of their respective businesses, and will operate under the strategic guidance of the board of directors of Design Holding and its chairman, Piero Gandini, the current CEO of Flos. See "*—Drive operational excellence and maximize synergy deployment from Group integration*", "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions*". Our experienced senior management team is composed of highly qualified individuals with extensive expertise in managing and growing successful businesses and supported by a strong team of talented and dedicated professionals. See "*Management*". Certain key members of management will invest in the combined Group following the Transactions.

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

Our Strategies

The key elements of our strategy are:

Expand our geographic reach

As part of our initiative to grow our store network, we will also strategically expand our geographic reach in markets where we expect to see continued growth, particularly outside of Europe. We aim to expand the Flos network within the Americas and the APAC region by opening additional DOS locations and expanding regional sales teams. We also intend to expand the geographical reach of B&B's retail network, both by converting several mono-brand wholesale retailers in the U.S. into DOS and by expanding into new wholesale points of sale throughout the Americas and the APAC region, particularly by leveraging on the integration with Arclinea, which often serves as a point of entry for new B&B customers who have encountered Arclinea kitchens in the context of luxury residential developments. We also plan to continue to expand the network of wholesale points of sale for Louis Poulsen in new geographies, with focus on Western Europe and the APAC region. In addition, we intend to expand our team of regional project managers, who will support and enhance our expansion initiatives, particularly with respect to B2B customers, in the Americas and the APAC region. We may achieve geographic expansion also through selective acquisitions of companies operating in our markets or adjacent ones. See "*—Pursue selective strategic acquisition opportunities that align with our overall goals and objectives*".

Develop our store network and increase our focus on digital channels

We intend to develop a network of directly operated multi-brand points of sale, featuring products from Flos, Louis Poulsen and B&B displayed in an environment designed to enhance the design identity of each brand while emphasizing the relationship among the products. We believe such directly operated points of sale would have an amplification effect across all of our other channels of sale. We aim to open five of these points of sale by 2022. In addition, we

intend to grow the separate retail networks of each of our brands. In particular, we intend to expand the Flos store network with the opening of additional DOS to support sales outside of Europe, with particular focus on expansion of the regional sales teams. We intend to expand the Louis Poulsen retail network through the addition of new third-party points of sale. We intend to increase Louis Poulsen sales through existing distribution points using a strategic pricing initiative aimed at optimizing the price levels of all of Louis Poulsen's products, as well as implementing a new web platform and a dedicated team supporting sales and online dealers. Within B&B, we plan to focus on store network expansion, particularly through the conversion of mono-brand third-party retailers into DOS, and to strengthen B&B's control over third-party retailers by, for example, ensuring that these retailers are providing B&B with a similar level of customer and sales data as B&B collects in its DOS. By 2022, we aim to increase our overall network of both DOS and third-party points of sale.

Customer relationships are key to our success and brand reputation, and continuing to build and maintain these relationships, particularly through digital channels, is a key element of our marketing strategy. Currently, online sales comprise a very small part of our business, with only Louis Poulsen and Flos offering direct e-commerce sales in limited markets, accounting for less than 1% of our Aggregated LTM Revenue for the twelve months ended June 30, 2018. We intend to continue to expand our direct online sales, including through a combined digital platform enabling customers to shop all of our brands online in one location. We also intend to expand Louis Poulsen's e-commerce website internationally by 2019, as well as expand Flos' e-commerce website into Europe. In addition to online sales, we intend to continue to develop digital relationships with our existing and potential customers, including through online marketing, social media outreach, online sales support, digital product configurators and partnering with social media influencers to promote our products and visibility.

Continue to strengthen and extend our product portfolio

Our product portfolio is a key element of our success, and we intend to continue to invest in research and product development with the aim of further strengthening and extending this portfolio both with redesigns or new configurations of existing products and introductions of new, complementary designs. We intend to continue adapting to evolving technology while building on the strength and success of our timeless iconic products. We expect to continue to launch new products and to coordinate our marketing and advertising efforts in line with the strategy adopted by each of Flos, Louis Poulsen and B&B over the past few years. For the years ended December 31, 2015, 2016 and 2017, each of Flos, Louis Poulsen and B&B launched 16, 14 and 13 new products (including upgrades of existing products) on average per year, respectively, a rate of new product launches that we expect to continue.

Drive operational excellence and maximize synergy deployment from Group integration

Following the Acquisitions, we intend to continue to deliver appealing, high-quality products through, among other things, improving the efficiency of our value chain, developing new attractive designs and introducing innovative materials, while at the same time preserving the prestige and identity of each of our brands, in order to enhance customer satisfaction, increase our ability to attract new customers and further improve our financial profile. Our key operational priorities are to maximize the deployment of synergies we expect to generate from the unified management of the Group, improve and integrate information technology and digital platforms and develop shared internal best practices.

In particular, we believe that the combination of businesses within the Group provides a significant opportunity for operational synergies, which we intend to maximize by establishing a clear synergy roadmap. These synergies primarily consist of a retail optimization initiative within our lighting brands, the opening of new combined points of sale, creating a shared task force within the commercial contract divisions, a wholesale sales optimization initiative, integrated e-commerce and various cost saving initiatives. Within our lighting brands, we intend to introduce Louis Poulsen products to select Flos retail locations, as well as adding Louis Poulsen and Flos products to certain B&B retail locations, which we believe will result in revenue increases without significant additional fixed costs for new retail locations or personnel. We also intend to

open five new multi-brand points of sale by 2020 that will sell products from Flos, Louis Poulsen and B&B within one store location in secondary markets that could otherwise be more difficult to penetrate by each brand individually. We intend to streamline the operation of the commercial contract divisions across all three brands by creating a shared contract task force, which will comprise a centralized sales lead, customer relationship management and business development database, a team of account managers dedicated to important customers who will promote our brands and educate customers on our offering, and various specification and offer teams organized by brand and product category, which will prepare commercial offers and follow the sales leads generated by the centralized function. We believe that this shared task force will reduce costs by eliminating overlapping contract functions, while leveraging the combined brand power to drive additional sales.

We also expect to increase our focus on wholesale sales by utilizing a common database to collect sales data from all directly-operated and third-party points of sale and creating a central marketing team to coordinate brand presentation across these points of sale and utilize the data collected to maximize sales. We intend to continue to generate EBITDA growth through the development of a unified e-commerce strategy, primarily consisting of a single digital platform where all of our brands will be available for sale (excluding Arclinea kitchens, which will continue to be sold primarily through physical Arclinea points of sale). Finally, we believe that we will be able to implement a variety of cost-saving initiatives, including harmonizing the compensation of sales agents through renegotiation of existing contracts, optimizing warehousing and logistics networks through shared warehouses and renegotiation of contracts with existing logistics providers, outsourcing production of non-iconic Louis Poulsen products and integrating and consolidating the operations and management of our subsidiaries.

Furthermore, within the IT and digital organizations, we expect to generate cost synergies and operational efficiencies through the deployment of an integrated IT infrastructure among our companies. We believe this initiative will facilitate the information flow from each company to the centralized management functions as well as among the brands, improve the Group information management system, create new business opportunities and expand our customer base, also through the creation of a shared customer database that may be accessed by Group central functions and by each brand. In addition, an integrated IT system will provide further support to foster operational synergies, as well as driving digital improvements to support growth in online channels.

Finally, we intend to develop a shared set of internal best practices, including standardizing framework agreements with, *inter alios*, suppliers of raw materials and other components and freight service providers.

The current CEO of Flos, Mr. Piero Gandini, will serve as chairman of Design Holding, drawing on his extensive experience in the industry and strategic vision to coordinate the Group's common strategy. Mr. Gandini will also continue serving as CEO of Flos until an appropriate replacement is selected, and will work closely together with Mr. Armin Broger, CEO of B&B Italia, and Mr. Søren Mygind Eskildsen, CEO of Louis Poulsen, to develop shared guidelines for the Group's integration and the implementation of the strategies, and to ensure that the combined Group preserves and supports each company's individual culture, brand value and history. Under the strategic guidance of the board of Design Holding, chaired by Mr. Gandini, the Group management will consist of, among other roles, a CFO and a HR director, and will work closely together with the CEOs of Flos, B&B and Louis Poulsen and their respective separate functions to coordinate the operation of the businesses and support their integration. We believe that this management structure will provide the Group with the coordinated strategic focus necessary for the full integration of the businesses and the achievement of the expected synergies, while leveraging the significant industry expertise of existing management to support the continued success of each individual company.

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

Our global footprint and diverse product portfolio create opportunities for acquisitions of selected brands in the high-end design market or adjacent markets that may bolster or

complement our existing offering and geographical footprint. In particular, we are actively considering further selective strategic acquisitions, some of which could be significant in size, to add to our portfolio, capitalize on our competitive strengths, expand our geographic footprint and reach in jurisdictions, including outside of Europe, where we see potential growth opportunities and/or where we currently have limited operations, further diversify our product offering, preserve or improve our financial performance and/or benefit from further consolidation expected in the design industry. Any further potential acquisition opportunities will be evaluated in light of a prudent and rigorous analysis to preserve a strong financial position. We will continue to apply a disciplined approach to pricing in connection with these potential acquisitions and will place significant emphasis on carefully planning and executing our acquisition strategy in order to further our goal of becoming a one-stop shop for high-quality products in the design industry globally. As part of this strategy, we will aim to use the investments we have already made in our IT, finance and business processes to reduce costs associated with on-boarding acquired businesses and will aim to utilize these synergies to benefit the entire Group.

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

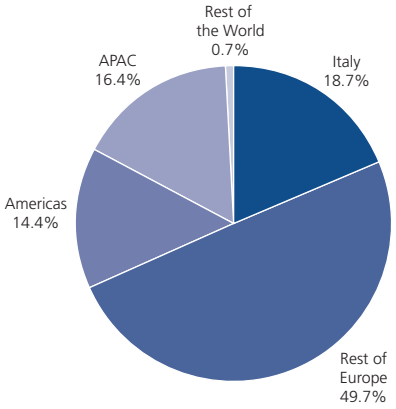
In addition to our long-standing relationships with top designers that form a key competitive advantage, we also benefit significantly from positive relationships with loyal specifiers, particularly smaller architecture and design studios serving the local markets where we are present. These specifiers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

Flos

Flos is one of the world's leading producers of high-end lighting solutions for residential and commercial use. Flos was founded in Merano, in northern Italy, in 1962 by Arturo Eisenkeil, in partnership with the Cassina family. Only two years later, Flos introduced the Arco lamp, which would go on to become one of its most iconic and best-selling lamp designs. Flos transferred its headquarters to Brescia, in northern Italy, in 1964, opened its first store in Milan in 1968 and expanded internationally in 1971 with the opening of its first foreign branch in Germany. In 1974, Flos acquired the heritage Italian lighting brand Arteluce, significantly expanding its product range and international reach. Flos began its exclusive collaboration with Philippe Starck in the 1980s, and throughout the 1990s, Flos unified its divisions into a unique brand catalogue and continued its global expansion into the Americas and Asia. The contract business was first introduced in 1996, in response to growing demand from commercial customers. In 2000, following its participation in the first International Light & Building fair, Flos launched its architectural business, Flos Architectural, which represented its first venture into lighting for commercial spaces. The Architectural business was significantly bolstered with the acquisition in 2005 of a majority stake in Antares, a Spanish commercial lighting producer based in Valencia, Spain. In 2011, Flos received its third Compasso d'Oro award, for the lamp "May Day" by Konstantin Grcic. Investindustrial acquired a majority stake in Flos in 2014. In 2015, Flos acquired the New York City-based custom lighting producer Lukas Lighting, further strengthening the company's presence in the custom sector, and Italian outdoor lighting company Ares, which allowed Flos to expand into outdoor lighting. In 2017, Flos began a rebranding of a portion of the Ares catalogue, introducing its first "Flos Outdoor" collection, and acquired Flos Projets (formerly KKDC S.à r.l.), a French distributor of LED lighting products, supporting its distribution capacity in the area.

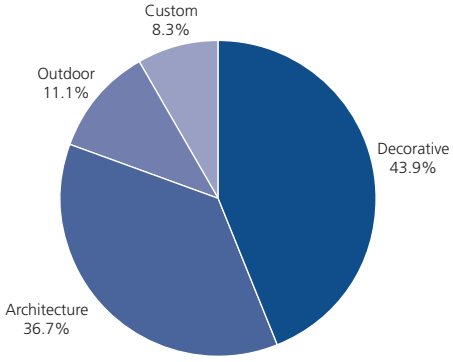
For the twelve months ended June 30, 2018, Flos generated total revenue of €219.4 million, Adjusted EBITDA of €56.4 million and net profit of €25.1 million. Flos operates an international

business, with its products sold through a network of over 2,400 third-party dealers around the world, in addition to seven flagship stores located in Milan, Rome, Paris, Lyon, Stockholm, New York and Hong Kong and a directly operated e-commerce site in the U.S. For the twelve months ended June 30, 2018, 81.3% of Flos' revenue was generated outside of Italy. The chart below provides a breakdown (as derived from management accounts) of Flos' total revenues by geographical region for the twelve months ended June 30, 2018 based on destination of goods:



Business Divisions

The business of Flos comprises four divisions: Decorative, Architectural, Custom and Outdoor. The chart below provides a breakdown (as derived from management accounts) of Flos' total revenues by business division for the twelve months ended June 30, 2018:



Decorative

The Decorative division offers high-end consumer lighting products, such as the Arco floor lamp by Achille and Pier Giacomo Castiglioni and the Superloon floor lamp by Jasper Morrison, primarily for residential applications. The Decorative division, which represents the original business of the company as established in 1960, forms the core of Flos' product offering and is managed by Flos S.p.A. The Decorative division is primarily managed from the company's headquarters in Brescia, and the production of Decorative products is mainly outsourced to a selected number of trusted manufacturers, primarily in Italy. The Decorative division product offering is broad and consists of more than 1,000 different products (including different configurations of the same product and excluding spare parts). For the twelve months ended June 30, 2018, the Decorative division generated 43.9% of Flos' total revenues (as derived from its management accounts).

Architectural

Flos' Architectural division was established in 1996 in response to growing demand for high-profile commercial lighting products and is managed by Flos' subsidiary Antares in Valencia, Spain. The Architectural division provides lighting products primarily for sophisticated, high-end commercial applications including retail stores, hotels, offices and outdoor markets, and, from time to time, luxury residential properties. Previous commissions include providing lighting for large international fashion groups such as Ferragamo, Mango, Inditex, Armani, Hugo Boss and Zegna. Approximately 10 to 20% of Flos' Architectural products are assembled at the Antares

plant in Valencia. The Architectural division product offering is also broad and includes more than 7,000 products (including different configurations of the same product and excluding spare parts). For the twelve months ended June 30, 2018, the Architectural division generated 36.7% of Flos' total revenues (as derived from its management accounts).

Outdoor

Following the acquisition of Italian outdoor lighting producer Ares in 2015, Flos began incorporating Ares products into its catalogue, resulting in the launch of the first Flos Outdoor collection in 2017. Production of Flos Outdoor is managed by Ares in Bernareggio, in northern Italy. The Outdoor collection is designed for open spaces and aims to strike a balance between complementing the existing architecture and blending into the landscape. The Outdoor division comprises more than 5,000 products (including different configurations of the same product and excluding spare parts). For the twelve months ended June 30, 2018, the Outdoor division generated 11.1% of Flos' total revenues (as derived from its management accounts).

Custom

The Custom division delivers custom-made lighting solutions for commercial and residential applications and is mainly managed by the Flos subsidiary Light Contract S.r.l. in Collebeato, in northern Italy, and the Custom division of Flos USA Inc., in the U.S. Although the Custom division is a relatively small component of Flos' business, accounting for 8.3% of total revenues (as derived from Flos management accounts) in the twelve months ended June 30, 2018, it is often an entry point for new customers who first come into contact with Flos lighting in retail, hospitality or other commercial environments and provides cross-selling opportunities for all other business divisions.

Design

Since it was established in 1962, Flos' business model has relied on iconic design coupled with technological innovation. Flos' Decorative line has since the 1960s been developed internally through partnerships with some of the most world-renowned designers and architects, including Philippe Starck, Antonio Citterio, Jasper Morrison, Patricia Urquiola, Piero Lissoni and Michael Anastassiades. Flos' unique designs have been recognized globally through several design awards, including three Compasso d'Oro (for the "Parentesi" lamp by Achille Castiglioni and Pio Manzù in 1979, for the "May Day" lamp by Konstantin Grcic in 2011, and for the "OK" lamp by Konstantin Grcic in 2016), two ADI Compasso d'Oro Lifetime Achievements for Sergio Gandini (1995) and for Piera Pezzolo Gandini (2011), five-time winner of the best lighting product at the EDIDA Awards (in 2008 for the "Skygarden" lamp by Marcel Wanders, in 2010 for the soft-architecture fixture "Wallpiercing" by Ron Gilad, in 2014 for the "String Lights" by Michael Anastassiades, in 2015 for the "Superloon" lamp by Jasper Morrison and in 2018 for its collection "Arrangements" by Michael Anastassiades), and best product of the year by the FX Interior Design Awards 2017 for its innovative professional lighting system Infra-Structure by Vincent Van Duysen. Various designs are also held in the collections of prestigious design museums worldwide, including the Museum of Modern Art (MOMA) and Metropolitan Museum of Art in New York City, the Victoria & Albert Museum in London, Le Centre Pompidou in Paris and La Triennale di Milano in Milan. See "*—Agreements with Designers*" for information on Flos' contractual arrangements with its designers.

The creation of Flos products is the result of an integrated process involving designers, architects and the internal research and product development department at every stage, with €3.1 million, €3.2 million and €3.4 million invested in research and product development activities in each of the years ended December 31, 2015, 2016 and 2017, respectively, and 36 full-time employees dedicated to research and product development as of June 30, 2018. Designs begin at the concept stage, in which designers either propose their own ideas for designs or produce concepts for designs that Flos has requested. The concept stage is followed by a period of research, in which designs are further developed and modelled, materials are selected and products undergo initial engineering. During the refining stage, the product is developed as a prototype and undergoes a second round of engineering and analysis against safety standards.

The product then moves to the defining stage, in which final engineering takes place, the product is measured against internal and external quality standards and arrangements are made for production logistics and the supply of raw materials. Finally, the product moves to the production stage, which encompasses the procurement of raw materials, production planning and the final manufacturing of the product.

Production

The majority of Flos' production operations benefit from a flexible supply chain, with a focus on lean operations. Due to the complexity of the techniques and materials required for the manufacture of Flos' products, production is mostly outsourced to carefully selected manufacturers, with a majority of production on a make-to-order basis. Within the Decorative and Architectural divisions, manufacturing is primarily outsourced and assembly is almost entirely outsourced. Production levels of Decorative products are based on a forecast of sales volumes at stock keeping unit ("**SKU**") level which is normally made on a yearly basis, but such forecast is then adjusted on a monthly basis throughout the year based on actual demand with a very short lead time, as Decorative products (as well as certain readily available Architectural products) can usually be delivered in approximately 48 hours. In the Architecture division, production is done on order and new products are usually delivered in approximately 18 to 20 days from the day the customer places the order. Within the Outdoor division, manufacturing is entirely internal and assembly is almost entirely internal. Production takes place to order and new products can usually be delivered in approximately 18 to 20 days. Custom products are tailored to each customer's satisfaction and are entirely custom-made, with custom projects taking up to several months to be completed, depending on the size and complexity of the project.

Supply Chain Management

Although a majority of production is outsourced, Flos remains directly involved in the manufacturing process, with quality control assessments taking place during every step of production. Prior to being sent to assemblers, raw materials and product components undergo an initial round of quality control, during which Flos (or the third-party assembler, in the case of products assembled outside of Italy) utilizes specialized quality control software to run quality controls on a statistical basis, the frequency of which varies depending on the specific type of material or component. The raw materials and components are then either assembled internally or packaged into assembly kits and sent to third-party assemblers. Flos generally contracts with assemblers that are located in close proximity to its headquarters in Bovezzo and members of its internal quality control organization make regular visits to assemblers to gauge the assemblers' quality control procedures. During the assembly phase (both internal at Flos and external at the third-party assembler), quality controls are performed on every product and the outcome of each quality control test is collected by Flos through its quality control software. Assembled products are then returned to Flos, where products undergo a further quality control assessment on a statistical basis to ensure that they meet internal and external standards of quality and safety, while adhering to the original design principles, before being stored in Flos' warehouses and shipped to customers as required. In addition, the first production run of new products are always assembled internally, so that Flos can then share best practices with its external assemblers.

Flos contracts with a diverse group of non-exclusive suppliers to provide the raw materials, assembly and finished products it requires. Suppliers are carefully selected mainly according to their technical capacity, quality, finance reliability and cost and are usually located in close proximity to Flos' facilities to minimize transportation costs and timing. Flos contracted with approximately 600 suppliers in 2017, with no one supplier accounting for more than 5% of total sourcing value.

The relationships between Flos and its suppliers are governed mainly through (i) purchase orders with general terms and conditions specifying the purchase process, the general terms of delivery of purchased materials, the terms of invoicing and certain general obligations of the suppliers; (ii) standard supply agreements or (iii) framework supply agreements specifying terms, termination rights and minimum quantities. Flos also requires its suppliers to adhere to a set of

guidelines provided by the company concerning the quality and any technical requirements of the products. If materials or products are found to be defective, Flos can return them to the supplier to be replaced or repaired at the expense of the supplier.

Marketing

Flos' marketing efforts are coordinated across channels, media and distributions around four areas of focus: (i) brand experience, (ii) sales support, (iii) B2B relationships and (iv) customer relationships.

Brand experience is a key element underlying all of Flos' marketing efforts and is structured around four core objectives: (i) creating an omni-channel brand with a strong and distinctive style able to be effectively deployed across all media channels, (ii) telling a story that engages our audience, (iii) establishing a consistent and unique statement of brand and (iv) maintaining an approach across all channels that is scalable and cost-effective. Flos' brand experience was recently bolstered with the launch of its new global corporate website in December 2017, which received multiple international design awards (including a Digital Design Award for Best Corporate Website and SiteInspire's Site of the Week) and which in 2018 has received approximately 146,000 unique visitors each month on average, with approximately 850,000 unique visitors in the six months ended June 30, 2018, which represents a 15.4% increase compared to the six months ended June 30, 2017. Flos also plans to launch new corporate websites for Japan and China in the next two years. Brand experience also plays a key role in the launch of new products. For example, for the launch of the Arrangements lighting system by Michael Anastassiades in April 2018, Flos' marketing department designed an omni-channel promotional suite, with leaflets, photo shoots, designer interviews, videos and an interactive product configurator on the company website, all designed to convey a consistent brand experience. Combined with social media promotions and internal sales support, this coordinated approach led to a successful new product launch, with over 4.9 million customers reached across various media within two months of launch.

Sales support is also a key element of Flos' omni-channel marketing strategy. Flos' nearly 80 online dealers worldwide are an important part of its international distribution network and Flos has developed a dedicated "Digital Society" program to offer them sales support. Digital Society is a loyalty program that supports the business of online dealers, reinforces awareness of Flos products online and allows Flos to monitor and measure digital sales as a portion of its overall sales performance. For the twelve months ended June 30, 2018, digital sales generated 6.0% of Flos' total revenues. Flos also supplies significant sales support to its brick and mortar ("**B&M**") dealers through the use of third-party sales platform Hubspot, which was launched in May 2018 and enables Flos to improve its sales performance from digital generation of leads. Once a sales lead is collected in the landing page of Flos' website, an email is automatically generated to the relevant country manager, who directs ownership of the lead to a specific salesperson. That salesperson then contacts the lead directly, either by phone call, email or another method of communication. Since Flos began using Hubspot, it has developed a database of over 23,800 leads (as of the date of this Offering Memorandum) that can be directly actioned by the appropriate salespeople, significantly improving its ability to convert leads to clients. Flos has also focused its sales support efforts on building a dedicated program for trade customers (e.g. architects, professional interior designers, lighting designers and professional stagers), with membership in the program providing such advantages as complimentary shipping, a trade discount, additional opportunities for engagement (e.g. through learning series, partnership events and personal shopping experiences), access to expert consultants for architectural solutions and the ability to order custom products.

In addition to the sales support provided to all online and B&M dealers, Flos is developing special marketing channels for its B2B customers, including the launch, expected to occur in the last quarter of 2018, of a professional website that is easy to navigate and dedicated to the needs of B2B customers. The website will also include special content from Flos Studios, which produces content and short videos featuring international lighting influencers, architects and interior

designers who have had experience working with Flos, as well as case histories of new product applications in the Architectural division, complete with overviews of products, solutions, technical specifications and design process. Combined with the website is a new newsletter program dedicated to B2B customers, a special web landing page and events and presentations with renowned architects and designers exclusively for B2B customers.

Customer relationships are key to Flos' success and brand reputation, and continuing to build and maintain these relationships, particularly through digital channels, is a key element of Flos' marketing strategy. Flos' social network accounts have one of the biggest fan bases among Italian design companies, with a fan base of over 490,000 followers across its social media accounts as of the date of this Offering Memorandum (including Facebook, Instagram, LinkedIn, Pinterest and Twitter). The Flos corporate website also receives significantly high traffic, recording approximately 1.46 million visits in the six months ended June 30, 2018, While continuing to maintain its presence across all channels, Flos is currently focusing its marketing efforts on augmenting its digital channel, with the primary goal of increasing its ability to interact with its audience without an intermediary. For the fiscal year ending December 31, 2018, Flos has budgeted 20% of its marketing spend to be dedicated to digital channels, which Flos expects to increase to 40% by the year ending December 31, 2020.

Distribution Network

Flos operates an extensive international distribution network, with seven flagship stores located in Milan, Rome, Paris, Lyon, Stockholm, New York and Hong Kong and approximately 2,400 third-party B&M dealers in 80 countries worldwide. The table below provides a breakdown by geographic region of Flos' revenues generated by B&M dealers and number of B&M dealers for the twelve months ended June 30, 2018.

Region	Number of B&M Dealers	Percentage of B&M dealers' revenue (%)
Western Europe	1,853	72.7%
Americas	170	10.4%
APAC	183	9.5%
Middle East	15	0.8%
Eastern Europe	177	6.3%
Africa	12	0.3%
Total	**2,410**	100%

Flos primarily sells directly to retail customers through its network of flagship stores and through its e-commerce site in the U.S. The remainder of Flos' international distribution is primarily conducted by its network of B&M dealers and by wholesalers and distributors which on-sell Flos' products to their customers. Flos distributes inventory to its B&M dealers in one of two ways, based on what is most appropriate for the dealer and the geographic region: (i) directly to the dealer (approximately 60% of dealers) or (ii) through a direct subsidiary (approximately 40% of dealers). Sales leads may be generated either directly by Flos' internal salesforce or by third-party agents, depending on the features and commercial practices of each market. Flos contracts with its international dealers using a standard commercial customer agreement, which provides for the terms of delivery and payment, as well as base discount from the standard purchase price for all products purchased by the dealer under the agreement. Flos provides its retailers with a list of recommended retail prices for its products, although retailers are not contractually bound to apply such prices. Moreover, Flos sells its products through a network of over 80 third-party online dealers.

Customers

Flos serves a wide range of customers, including design-conscious individuals, architects, interior designers, other design professionals and wholesalers and distributors of design lighting products. Flos also serves high-end fashion bands, retail stores, hotels and other businesses

primarily as part of its Architectural division. Flos' B&M dealers are primarily high-end interior design shops dealing either exclusively in lighting or in a combination of furnishings and lighting.

Flos' B&M dealer network is highly diversified, with the top 20 dealers in 2017 accounting for only approximately 16.3% of the total revenue generated by B&M dealers, and no one customer accounting for more than 2% of such revenue.

Intellectual Property

Flos has developed a dedicated strategy to improve the protection of its intangible assets and enforce the underlying intellectual property, which primarily consists of trademarks, designs, copyrights, utility models and domain names. Flos owns a large portfolio of Italian, European and other international trademarks, including for the name "Flos". In addition to registered trademarks, Flos also owns several *de facto* trademarks covering the names of its products and product lines. Flos also owns approximately 600 registered designs, primarily registered in Italy, the European Union, the U.S., China, Japan and India, covering the shapes of certain products. Flos' portfolio of patents, primarily registered in Italy and the European Union, provides additional protection for the inventions inherent in certain of Flos' products. Flos also seeks to protect its company know-how through the use of non-disclosure agreements. Flos contracts with a third-party service responsible for monitoring and removing any intellectual property used without permission on websites, e-commerce platforms and social media, while also regularly conducting its own trademark surveillance. For more information on risks related to our intellectual property rights and efforts to protect them, see "*Risk Factors—Risks Related to our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Additional intellectual property rights are governed by Flos' license agreements with individual designers. See "*—Agreements with Designers*".

Agreements with Designers

As of June 30, 2018, Flos was party to 173 license, transfer and/or assignment agreements with Italian and foreign designers in connection with the design of lighting products, all providing for the payment of consideration to the designers for the use or transfer of their intellectual property rights. These agreements can be divided into two broad categories: (i) intellectual property transfer agreements providing for the complete assignment of intellectual property rights from the designer to Flos and (ii) license agreements with Flos as licensee. Most of the transfer agreements grant to Flos all of the rights arising from any potential future versions of products that could be developed by the designer counterparty without need to enter into further agreements and expressly grants Flos registration rights with respect to the designs. Flos has entered into approximately 30 of these agreements. The license agreements typically do not include exclusivity clauses, and some of them do not expressly provide Flos with the right to register intellectual property rights with respect to the designs, allowing the designers to freely grant intellectual property rights not covered by the license agreement to third parties. Pursuant to most of its license agreements, Flos is required to make quarterly payments to the relevant designers in amounts which are calculated on the basis of net sales, whether in Italy or abroad, net of any discounts, return of unsold goods, shipping charges, as well as any other expenses arising out of and in relation to such sales. For each of the three years ended December 31, 2015, 2016 and 2017, Flos paid a total of €2.5 million, €2.8 million and €2.7 million, respectively, in royalties to designers. Flos' license agreements are typically open-ended in duration, with termination clauses generally in favor of the designer, allowing the designer to terminate at any time with notice.

Real Estate

Flos owns four material real estate properties: the company's 17,529 square meters headquarters in Bovezzo, assembly premises of 6,187 square meters in Collebeato, office space of 330 square meters in Milan and a 82 square meters flagship store in Rome. The Ares subsidiary also owns

three production premises and warehouses in Bernareggio and a warehouse in Aicurzio. Outside of these owned properties, Flos generally enters into commercial lease agreements covering its flagship stores, corporate offices for its local subsidiaries and warehouses. The term of lease for these properties is six years on average. For the twelve months ended June 30, 2018, Flos paid a total of €2.8 million in rent and other fees for leased properties. In addition, Flos operates the Antares' headquarters in Valencia under a financial leasing contract pursuant to which, for the twelve months ended June 30, 2018, Flos paid instalments for an aggregate amount of €0.6 million. Given the financial nature of the lease, Antares' headquarters are recorded in Flos' financial statements under Property, plant and machinery.

Employees

As of June 30, 2018, Flos had 637 total workers, including 295 located in Italy. The table below provides a breakdown of Flos' workers by function, as of such date:

	As of June 30, 2018
Managers	16
Office workers	401
Production workers	188
Temporary workers	32
Total	637

As of June 30, 2018, Flos estimates that less than 20% of its employees belong to a labor union. Flos believes it has good relationships with its employees and their labor unions. Flos is party to collective bargaining agreements in Italy, including an internal collective bargaining agreement that is currently being renegotiated, and management believes that the terms of these agreements are consistent with industry practice. Flos' success is highly dependent on its ability to attract and retain qualified employees. See "*Risk Factors—Risks Related to our Business—Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations*".

Information Technology

Flos has a centralized information technology infrastructure based in Italy for its global operations. Flos' centralized infrastructure increases efficiency in the use of software and hardware, enhances product support and cost control and, ultimately, leads to economies of scale. In particular, initiatives have been taken and others are being taken to outsource repetitive and low-added value IT services, whereas IT services that are suitable for innovation, business processes reengineering and employee productivity increase have been kept in-house. Such strategy also aims to facilitate the use of common processes and data structures throughout the business and to ensure data consistency and timely data availability for managing Flos' business operations. Flos' IT department is composed of two main functions: Infrastructure & Networking and Application Development. As of June 30, 2018, Flos' IT department consisted of four internal full-time employees and three external full-time consultants, the former equally distributed among the two mentioned functions, the latter mainly focused on the Applications Development function.

Legal Disputes and Administrative Proceedings

From time to time, Flos is involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. See "*Risk Factors—Risks Related to our Business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*". Moreover, from time to time, former and present directors, officers, agents and employees may be involved in civil and/or criminal proceedings. Although the outcome of these legal disputes cannot be predicted with certainty, Flos does not believe that the ultimate resolution of such matters and any current or potential matters of which it is currently aware will have a material adverse effect on its financial conditions or results of operations. As of June 30, 2018, Flos had set aside €0.4 million of provisions for risks and charges in connection with legal proceedings.

Insurance

Flos maintains insurance coverage in all primary operating areas. Flos believes that it has adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly verified and adjusted when necessary. However, the company may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in its insurance policies. Furthermore, it is possible that Flos may not be able to maintain adequate insurance coverage at appropriate premiums in the future. See "*Risk Factors—Risks Related to our Business—Our insurance coverage could prove inadequate*".

Regulatory Environment

Flos believes that it is substantially in compliance with all applicable laws and regulations, including those regarding the protection of the environment and the health and safety of its employees, based upon existing facts presently known to it. Compliance with local, national and international laws and regulations, including those relating to the discharge of substances into the environment, the disposal of hazardous wastes and other regulated activities has had and will continue to have an impact on Flos' operations, but has to date been accomplished without having a material adverse effect on Flos' operations. Flos does not expect environmental costs or contingencies to have a material adverse effect on its financial position, results of operations, competitive position or cash flows.

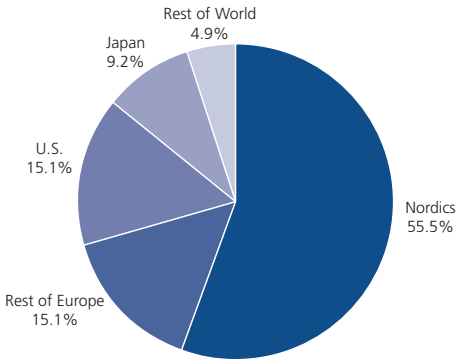
Flos is also subject to laws and regulations governing the production and sale of lighting devices in each jurisdiction in which it operates. Specifically, when entering a new market or introducing a new product to an existing market, the product shall comply with the requirements of the applicable laws and regulations. Such requirements vary depending on the specific geographical area and may include a manufacturer's so called "Declaration of Conformity" (e.g. in the EU) or a mandatory certification from the relevant authority (e.g. in China). Depending on the country of operations, the process may take from two weeks to several months. As part of the approval process, a change of the product to comply with the requirements could be necessary; furthermore, the relevant authority might ask for certain minor changes to the specifications of the product. Historically, however, Flos has not experienced any material issues or delays in connection with obtaining regulatory approval for its products.

Louis Poulsen

Louis Poulsen is a leading global high-end lighting brand with an iconic portfolio focused on Danish design heritage. Originally founded in 1874 as an electrical wholesale business, Louis Poulsen began its transition to a design-driven lighting producer in 1924, when the company began its collaboration with iconic Danish designer Poul Henningsen, with the resulting collection of "PH" lamps distributed through agents in Europe and the Americas. Throughout the 1950s, 60s and 70s, Arne Jacobsen, Vilhelm Lauritzen and Verner Panton designs were added to the product portfolio, cementing Louis Poulsen's reputation as a leader in the field of Danish industrial design. In 1999, a consortium led by Danish private equity firm Polaris acquired Louis Poulsen and split the business into Wholesale (which at the time accounted for the majority of sales) and Lighting divisions, with joint management and operational functions. The Wholesale division was sold in 2005 and the Lighting division continued as Louis Poulsen. Beginning in late 2005, a new management team began repositioning the company toward a more focused, high-end market by pruning the product portfolio, investing in new product development and expanding the B2C business. Louis Poulsen was then sold to Targetti, an Italian architectural light fixtures company, in 2007. The products and sales organization remained under the Louis Poulsen brand in the Nordic region, Japan, Germany and the U.K., while in the U.S. operations and manufacturing were merged under the brand Targetti Poulsen and in the rest of Europe and Asia, distribution was fully merged under the Targetti brand name. In addition, the manufacture of outdoor in-ground fixtures, previously based in the U.K., was moved to Targetti's manufacturing facilities in Italy. Following a period of declining B2B sales under Targetti ownership, Polaris again acquired a majority stake of 69% in Louis Poulsen in 2014 and instituted

a new management team that overhauled local sales organizations, creating a more cohesive, global sales organization with an increasingly aligned focus on the decorative market.

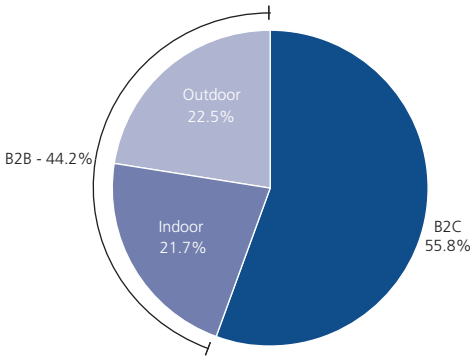
Since 2014, management has renewed focus on product innovation, with LED or LED compatible products accounting for approximately 80% of Louis Poulsen's revenue for the twelve months ended June 30, 2018, and has invested significantly in production and design, increasing the rate of new product launch from four or five new products per year between 2011 and 2015 to 12 to 14 new products per year in 2016 and 2017. Louis Poulsen now operates a robust global distribution network, with 1,281 third-party multi-brand points of sale in over 70 countries and 83 sales consultants in 12 markets (including direct subsidiaries in 11 markets). Louis Poulsen also has nine dedicated directly managed showrooms, located in Los Angeles, Fort Lauderdale (Florida), Oslo, Copenhagen, Vejen (Denmark), Stockholm, Dusseldorf, Tokyo and Singapore, which showcase Louis Poulsen designs as well as hosting marketing events, for example in connection with the launch of new products. Three additional showrooms, in Milan, London and New York, are currently planned. For the twelve months ended June 30, 2018, Louis Poulsen generated revenue of DKK 794 million (€106.7 million) and EBITDA of DKK 159 million (€21.4 million). The chart below shows the geographical split of Louis Poulsen's revenues for the twelve months ended June 30, 2018 by location of customer:



Business Divisions

Louis Poulsen's operations are divided into two business divisions: B2C, which comprises sales of high-end lighting solutions to residential customers through third-party multi-brand points of sale and the Louis Poulsen online store, and B2B, which comprises sales of indoor and outdoor lighting solutions for professional projects. The products sold within the B2B division can be broken down into Indoor and Outdoor product divisions, with a single B2B sales team handling both Indoor and Outdoor product sales. Product lines generally overlap between the B2C and B2B divisions, with most Louis Poulsen products sold via both divisions, although certain products (*e.g.* large outdoor fixtures such as post tops for street lamps) are normally sold only through the B2B division.

The chart below shows a breakdown of Louis Poulsen's total revenue broken down by business division for the twelve months ended June 30, 2018.



Louis Poulsen's business divisions are supported by a global network of 83 directly-employed sales consultants (19 dedicated to the B2C division, 56 dedicated to the B2B division and eight head of

sales) in 16 markets, who were responsible for driving approximately 76% of Louis Poulsen's total revenue for the twelve months ended June 30, 2018, with the remainder driven by third-party agents and distributors. Although Louis Poulsen primarily depends on its own directly-employed sales consultants, in certain markets third-party agents or distributors are considered more customary or efficient, based on the features and the commercial practices of each market. For example, Louis Poulsen commonly uses third-party agents in the U.S. (supported by directly-employed sales consultants), where third-party agents are customary and using them is considered more efficient than using directly-employed sales consultants.

B2C

Although originally focused on B2B sales, over the past several years Louis Poulsen has increasingly shifted its sales focus to the B2C channel, with B2C sales contributing a revenue of DKK 444 million (approximately €59.6 million) and accounting for 55.8% of total revenue in the twelve months ended June 30, 2018, up from 44.2% in the year ended December 31, 2015. The table below provides a breakdown of B2C revenue by region for the twelve months ended June 30, 2018.

Region	B2C Revenue (DKK million)	B2C Revenue (€ million)
Nordics[1]	277	37.1
Rest of Europe[2]	63	7.9
United States	16	2.2
Japan	64	8.6
Rest of World[3]	24	3.3
Total[4]	**444**	**59.7**

(1) Nordics includes Denmark, Norway, Sweden and Finland.
(2) Rest of Europe includes Germany, Switzerland, Austria, the Netherlands, France, Italy and Spain. The U.K. is included in the "Other International" segment.
(3) Rest of Asia includes Australia, Brunei, China, Hong Kong, Indonesia, Macau, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand, the U.K. and Vietnam.
(4) Including third-party purely online retailers but excluding own e-commerce site.

While focus within the B2C channel was historically on traditional bricks and mortar retailers, most of these retailers have now opened web shops, thereby increasing Louis Poulsen's available market beyond the geographical regions where its products are sold in retail stores. Louis Poulsen has also successfully increased its presence with online retailers, such as Lumens, Royal Design and nest.co.uk, with the proportion of its total B2C revenue derived from these retailers reaching approximately 6.8% in 2017, up from 5.4% in 2014. Louis Poulsen has also operated its own e-commerce website in Denmark for many years, and in 2017 added e-commerce in Sweden, Norway and Germany. A new web platform aimed at improving both the aesthetics of the website and internal operational efficiency will be launched in the fourth quarter of 2018 for B2C sales channels and during the course of 2019 for B2B sales channels, and directly operated e-commerce is expected to be introduced into the rest of Louis Poulsen's geographical markets during the course of 2019.

Within its third-party B2C multi-brand points of sale, Louis Poulsen products are displayed according to one of three store types, which essentially reflect the extension (in terms of square meters) of the Louis Poulsen dedicated area in each store: (i) shop-in-shop, which is an in-store branded area with parameters defined by Louis Poulsen in terms of size and appearance; (ii) corner, which is similar to a shop-in-shop but tends to be smaller; and (iii) display, which is a small in-store setup where a few selected Louis Poulsen products are displayed, often with limited advertising material or a special stand. Displays also include stores that have no specific in-store Louis Poulsen setup but may display Louis Poulsen fixtures within a multi-brand sales environment.

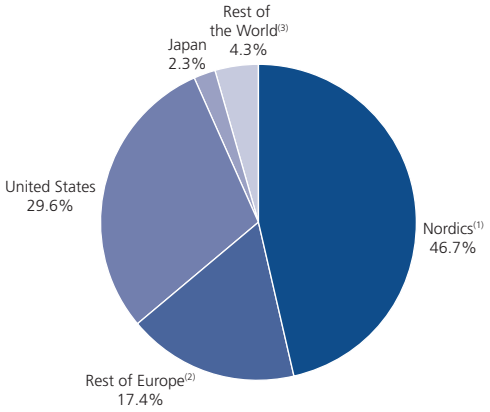
When contracting with a new third-party multi-brand point of sale, Louis Poulsen conducts a careful review of the quality of the outlet, in terms of brand position, product assortment and service level. Once a contract is in place, sales representatives from Louis Poulsen will periodically

visit these third-party multi-brand points of sale to ensure that the standards are upheld. In addition, Louis Poulsen representatives often use incentives, such as applying product discounts or sharing the costs related to joint marketing initiatives, to encourage store managers to expand their offering of Louis Poulsen products or to upgrade the Louis Poulsen dedicated area in their store (*e.g.* from a display to a corner or from a corner to a shop-in-shop). Various factors determine whether the cost of the physical set-up of the area within each store where Louis Poulsen products are displayed is borne by Louis Poulsen or by the point of sale owner, including standard practices in the relevant market.

Since 2014, management has been focused on supporting and expanding the global B2C customer portfolio, targeting three key strategies: (i) increasing revenue from the existing point of sale network, (ii) expanding the point of sale network and (iii) building a streamlined and effective sales and marketing organization. In order to increase revenue from the existing point of sale network, management focused on both introducing new product families and extending existing product lines, in addition to providing the incentives discussed above to increase the offering of Louis Poulsen products and upgrade the Louis Poulsen dedicated area at existing points of sale. Several of the new product families introduced in recent years target the underpenetrated affordable luxury segment, balancing the existing portfolio offering of primarily luxury products and enabling Louis Poulsen to reach a new category of customers previously unlikely to purchase its products. In addition, existing lines were extended with new finishes and formats and limited editions produced in order to revitalize iconic products and simultaneously renew interest in original versions. Between 2014 and 2017, an average of 3 new product families and 4.3 extensions of existing product lines were introduced each year, compared to an average of 1.2 new product families and 1.4 product line extensions each year between 2009 and 2013. Moreover, 64 of Louis Poulsen's retailers were upgraded in 2017, with new in-store concepts introduced to support increased sales per store, compared to 22 upgraded stores in 2016. During the same period, Louis Poulsen also engaged in a global store rollout, expanding into 310 new points of sale between 2014 and 2017 through a combination of increased penetration of existing markets and entering new markets. Finally, an increased focus on building sales and marketing functions led to the establishment of dedicated B2C sales organizations serving the U.S., the U.K., Asia, Finland, Italy, Spain and the Netherlands between 2014 and 2017, with the result that all markets in which Louis Poulsen is present now have dedicated B2C sales organizations. Louis Poulsen also created an internal marketing division, with the number of full-time employees in marketing functions increasing from six in 2014 to 17 in 2017. Management intends to continue this ramp-up of marketing focus with increased investment in digital channels. See "*—Marketing*".

B2B

Louis Poulsen's B2B business comprises sales through specifiers in professional projects, such as architects, developers, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions. The B2B business includes both decorative lighting, which focuses on statement pieces with strong design elements, and general design lighting, which is focused on simpler solutions for commercial spaces that are primarily functional while still maintaining the minimalist Danish design that characterizes all Louis Poulsen products. For the twelve months ended June 30, 2018, the B2B division generated revenue of DKK 352 million (approximately €47.2 million), representing 44.2% of total revenue, with 49.1% of total B2B revenue driven by indoor lighting and 50.9% by outdoor lighting. The table below provides a breakdown of B2B revenue by region for the twelve months ended June 30, 2018.



(1) Nordics includes Denmark, Norway, Sweden and Finland.
(2) Rest of Europe includes Germany, Switzerland, Austria, the Netherlands, France, Italy and Spain. The U.K. is included in the "Other International" segment.
(3) Rest of Asia includes Australia, Brunei, China, Hong Kong, Indonesia, Macau, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand, the U.K. and Vietnam.

Growth in the B2B division over the past three years has been built around three key focus areas: (i) accelerated development of new products, (ii) aligning and improving sales efforts and (iii) reorganization of sales teams in the key markets of the United States, Central Europe and Singapore. The B2B division has benefited from an increased investment in product development of decorative products in the B2C division, as both sales channels have common themes and the accelerated product development program has primarily been focused on Indoor decorative and general design lighting products that are distributed across both sales channels. In the Indoor division, 27 new products were launched during the last two years, comprising both updates to heritage products, such as new finishes or formats, and newly designed products, and an additional 23 are in the pipeline for the remainder of 2018 and 2019. Although product developments in the Outdoor division have also been accelerated, the rate of launches has only begun to increase in 2017 and 2018 due to the significantly longer development phase for outdoor products. Sales functions have also been enhanced to support the increased rate of product launches. A customer relationship management system was implemented to enable performance management of sales consultants and the results have been used to develop a sales excellence initiative, the implementation of which is still ongoing, aimed at increasing the efficiency and effectiveness of our salesforce by way of, for example, adopting different sales strategies based on the various customer types. The sales excellence initiative is currently being trialled in Louis Poulsen's B2B sales operations in Denmark. Finally, the sales teams were completely reorganized in the core markets of the United States and Central Europe, with a focus on establishing an efficient sales organization in markets that are key to the success of the B2B division.

Design

Louis Poulsen's distinct design philosophy originates from Poul Henningsen's ambition to give electrical light similar ambient properties as the candlelight it replaced in the early 20th century. With that goal in mind, Louis Poulsen has always sought not to design lamps, but to shape light.

The company's philosophy of "Design to Shape Light" guides the design of all of its products, meaning that no design details are added to a lamp that do not have a justification in function, softening luminance and eliminating direct glare and hard shadows, in line with the design principle that "Form Follows Function". All of Louis Poulsen's lighting designs are characterized by an aesthetic, a function and an ambience that define the space in which they are used, while simultaneously blending in with the surroundings. Louis Poulsen designs have been awarded numerous prestigious design awards, including the 2018 IF Gold Award for the Yuh lamp by GamFratesi and several Danish Bo Bedre Design Awards for Lamp of the Year, for the Patera lamp by Øivind Slaatto among others, and are collected by design museums around the world, including the Danish Design Museum.

Louis Poulsen's design philosophy is strongly rooted in Danish design heritage. Since its first collaboration with Poul Henningsen in 1924, Louis Poulsen has expanded its influence through partnerships with the most celebrated designers in Danish design history, eventually acquiring intellectual property rights to some of the most famous lighting designs of the "big 5" of Danish industrial designers: Poul Henningsen, Vilhelm Lauritzen, Arne Jacobsen, Finn Juhl and Verner Panton. Products designed by these designers remain at the core of Louis Poulsen's offering, with 55.3% of total revenue for the twelve months ended June 30, 2018 derived from sales of products based on "big 5" designs. The company believes that the sense of quality and Scandinavian design heritage that this core collection represents has contributed to attracting other high-profile Scandinavian and international contemporary designers, such as Bjarke Ingels, GamFratesi, Louise Campbell, Øivind Slaatto and Olafur Eliasson, to collaborate with the company, ensuring that the heritage designs are continually updated to reflect modern technologies, tastes and lifestyles and are complemented by a range of innovative new designs. See "*—Agreements with Designers*" for information on Louis Poulsen's contractual arrangements with its designers. Whether recently developed or part of the core collection, all of the Louis Poulsen designs incorporate the company's philosophy of "Design to Shape Light" and the simple, timeless expression that is core to Danish design.

Production

Louis Poulsen utilizes a highly scalable operating model, based on an institutionalized, commercially-driven design process, a well-invested production setup with an increasing share of outsourcing and a majority of sales activities conducted through its own global salesforce.

Production cycle

Louis Poulsen's production follows a cycle revolving around two main product launch phases, Spring (February to April) and Fall (September and October), during which new products are formally marketed and sold to end-customers. Each market launch phase is preceded by a corresponding internal preparation phase (November to January and May to June), during which the salesforce deploys marketing content to wholesalers and sells them new products internally, the supply chain is engaged based on demand estimates and the production lines are prepared accordingly and extended, to the extent required. On the sales side, prior to launch, new products are previewed with new and existing customers, who provide feedback to the marketing team to further refine demand estimates, and sales teams are brought in-house to refresh their general sales training and receive specialized training on new products. In the B2B channel, production of custom products is initiated in collaboration with the architects and designers acting as specifiers on the relevant project. In the B2C channel, immediately prior to launch, the sales teams communicate details of the new products to external customers and use social media and other marketing channels to generate interest around the products. During the official launch phase, the marketing team prepares content for the launch, while the new products are distributed to customers and subsidiaries and customer service and technical specifications are prepared.

Overall product development is guided by a five-pronged product strategy of new launches, line extensions, product updates, product modifications and custom designs. New launches comprise newly-designed products and re-launches of heritage designs, either through the reintroduction

of designs that were previously produced and have been discontinued or the new introduction of heritage designs that were previously acquired but have not yet been produced, as well as existing product line extensions. Examples of recent new launches include the VL 45, a pendant light based on a heritage Vilhelm Lauritzen design that had not yet been produced, and the Patera, a newly-designed pendant fixture by contemporary Danish designer Øivind Slaatto. Line extensions represent additions to an existing product family, such as through new colors or finishes, additional sizes or new lamp types (*e.g.*, creating a pendant version of a floor lamp, or a table version of a pendant lamp). Recent line extensions include a copper version of the classic PH table lamp, introduced in 2015, and a new red version of the AJ table lamp, introduced in 2017. Product updates include upgrades to reflect new technical specifications, such as the upgrade of certain heritage designs to accommodate LED technology. Finally, product modifications and custom designs are undertaken on a case-by-case basis in order to reflect customer requirements, either for an adjustment of an existing design in the case of product modifications or through the design of an entirely new custom product to meet customer specifications. The volume of development within each category is strategically adjusted to account for market trends, technological advances, seasonal selling patterns and customer requirements, with each launch cycle representing a varied concentration of product launches of each type.

Supply Chain Management

Louis Poulsen sources raw materials and components for its products from a diverse group of suppliers, transacting with between 225 and 250 suppliers. Louis Poulsen primarily sources raw materials and components that it does not have the capacity or volume to produce internally, such as cast aluminum, polycarbonate items, mouth-blown glass and electrical drivers. Louis Poulsen's top ten suppliers in 2017 accounted for approximately 55% of its sourcing value. A small number of Louis Poulsen suppliers are considered key to its operations due to their expertise and ability in manufacturing sophisticated high-end materials, such as mouth blown glass.

Maintaining low input prices while preserving quality is a constant focus and, in 2016 and 2017, Louis Poulsen succeeded in realizing annual savings of 1% in each year on total central sourcing costs, with the largest savings categories being electrical components (including LED), plastics, finished products and metal. Most of these annual savings were achieved through the re-negotiation of supply contracts with existing suppliers, which normally occurs on a yearly basis, and through contracting with new suppliers. Whilst maintaining low input prices is important to Louis Poulsen, a few of the raw materials used, such as steel, copper and plastic, may be subject to global price volatility. Louis Poulsen does not normally hedge against this risk and believes it has historically been able to pass any such price increases onto customers. See "*Risk Factors—Risks Related to our Business—If prices of the raw materials we employ in our manufacturing processes or of the components or finished products we purchase were to increase, our business could be adversely affected to the extent we are not able to pass any such price increases on to our customers*". Louis Poulsen maintains a high standard of quality control throughout the manufacturing process, with a dedicated internal quality department that inspects raw materials, components and products at all stages of manufacturing and assembly to ensure that they conform to standards. In addition, Louis Poulsen employs a dedicated quality control manager to inspect and monitor the quality of products produced by its production partners in China.

Manufacturing and distribution

Manufacturing of Louis Poulsen products is primarily internal, with approximately 84% of total cost of goods sold for the twelve months ended June 30, 2018 attributable to internal production. Of the externally produced products, approximately 5% (based on cost of goods sold for the twelve months ended June 30, 2018) are sourced from long-standing production partners in China and approximately 3% from other third-party producers. The remaining 7% comprises the small number of third-party products, primarily produced by Targetti, Focus Lighting and Prolicht, that Louis Poulsen sells as a complement to its own designs.

Louis Poulsen manufactures its internally produced products at the company's plant in Vejen, Denmark. The Vejen facilities consist of approximately 51,000 square meters of land and approximately 16,500 square meters of buildings, of which roughly 2,500 square meters are used for administration. The Vejen plant employs about 230 staff members working on two shifts and has four main buildings used for production, a mechanic workshop, a paint shop, an assembling department, storage for raw material and finished products and offices. Production and logistics flow seamlessly through the Vejen plant beginning at the metal shop, a mechanic workshop with capabilities for grinding, spinning, welding, punching and deep drawing that primarily processes sheet metal (steel, stainless steel, aluminum, copper and brass). Product components are transferred from the metal shop to the paint shop, where they undergo three separate processes: (i) a seven-stage pre-treatment system, (ii) a powder paint system with two spray-boots and (iii) a wet paint system with four spray-boots and a hardening oven. Once painted, the product components are transferred to an assembly area that is organized around 40 U-shaped assembly cells. In the assembly area, products are not only assembled but also tested and packaged, followed by order confirmation and transportation to the finished goods warehouse, where finished products are stored alongside components and products sourced from third-party suppliers. In addition to the main warehouse in Vejen, Louis Poulsen operates three additional distribution centers in the United States, Japan and Singapore to support global sales. European sales are primarily served from the Vejen warehouse, which also supports export activities to Africa, the Middle East and South America. The regional distribution centers ship products directly to retailers and architectural projects, ensuring high responsiveness and short delivery lead times. The warehouse in the United States supports North and Central America, the warehouse in Japan supports Japan and Korea and the Singapore warehouse supports the rest of the APAC region. For the twelve months ended June 30, 2018, 72.7% of Louis Poulsen's sales volume was handled out of the Vejen warehouse, 15.1% out of the warehouse in the United States, 9.1% out of the warehouse in Japan and 3.1% out of the Singapore warehouse.

Although most Louis Poulsen products are produced internally, the B2B portfolio has historically been supplemented by a small number of complementary third-party products, which comprised approximately 7% of total cost of goods sold for the twelve months ended June 30, 2018. These third-party products were generally used to fill gaps in Louis Poulsen's B2B product portfolio and enabled the company to deliver more technical lighting fixtures for both indoor and outdoor projects. However, due to Louis Poulsen's sharpened focus on design philosophy and a more targeted product range, the use of third-party products has decreased in recent years and is being gradually phased out.

Marketing

Prior to Polaris' acquisition of Louis Poulsen in 2014, marketing was solely focused on traditional print media advertising and catalogue production, with a minimal marketing team consisting of a single director supported by two graphic designers. Since 2014, management has invested significantly in the marketing operation, increasing the size of the marketing team to 17 full time employees as of June 30, 2018 and implementing an ambitious reorganization of brand management and communication methodologies. In particular, substantial investment has been made in digital channels and tools, including through the establishment of a digital team comprising six full time employees, supporting an integrated brand, marketing and online sales effort, and management continues to focus on investments in the digital channel. Other key projects include a stronger articulation of the brand's core design principles, a process model for the product pipeline and an integrated and consistent campaign management approach, as well as developing the "shop-in-shop" retail concept. This focus on building up a strong and skilled marketing organization reflects the company's ambition to deliver a seamless customer experience across channels and to make Louis Poulsen into a digitally-led lifestyle brand, inspiring the way that its customers' lives are shaped by design and light.

Louis Poulsen's marketing efforts are built around three dimensions: (i) brand management and storytelling, (ii) business development and supporting the sales organization and (iii) retailers. Marketing efforts across all channels are designed to communicate the story of the brand's

distinct design and brand philosophy of "Design to Shape Light" and focusing on the brand's Danish design heritage and commitment to the timeless properties of iconic Danish design. The business development and sales organization utilizes digital tools to coordinate efforts surrounding both internal preparations for and external launches of new products, as well as to streamline business relationships between the company's salesforce the end customers and Louis Poulsen. In addition, Louis Poulsen launched a new "shop-in-shop" store concept in 2016, improving store presence through enhanced visibility of the Louis Poulsen brand and supporting retailers by providing an easy-to-implement branded area with specified size and appearance. Providing these stores with branded designs also helps Louis Poulsen to align its brand universe across retailers.

The digital transformation in the marketing sphere enabled Louis Poulsen to explore numerous new marketing possibilities and extend its global reach without incurring significantly increased marketing costs. Louis Poulsen has significantly expanded its social media presence over the last two years, more than doubling its number of followers on Instagram from 56,000 in November 2016 to 150,000 in September 2018 and increasing its number of Facebook followers by 41% from 46,000 in November 2016 to 65,000 in September 2018. While social media continues to be a primary focus of Louis Poulsen's marketing efforts, print media remains key as well, with approximately 61.3% of total marketing expenses for the twelve months ended June 30, 2018 dedicated to advertising campaigns and content. Print advertising campaigns in luxury design-focused publications such as Elle Décor and Wallpaper focus on introducing new products and revitalizing heritage designs, through segment-neutral photography focused on brand, design and the product and be appealing to both B2B and B2C customers. Louis Poulsen also publishes its own proprietary magazine, Reflections, which is available online as well as in a printed version, and is sent to Louis Poulsen's e-commerce website customers and distributed in all of Louis Poulsen's physical points of sale and showrooms. Reflections includes editorial storytelling about Louis Poulsen, new launches and campaigns in inspiring interior settings, introductions of Louis Poulsen designers and articles on various topics in the design and lighting technology fields. The content of the magazine is also coordinated with themed web landing pages and newsletters distributed to B2B customers. Louis Poulsen also has nine global showrooms where potential customers can experience the Louis Poulsen lighting universe. Showrooms are also utilized to stage new product launches, host professional events and facilitate order intake from retailers, as customers may purchase products from tablet computers that are displayed throughout the showroom, while sales assistants are on hand to provide assistance. Showrooms currently exist in Los Angeles, Fort Lauderdale (Florida), Oslo, Copenhagen, Vejen (Denmark), Stockholm, Dusseldorf, Tokyo and Singapore, and an additional three showrooms are planned in New York, London and Milan.

Customers

Louis Poulsen serves a diverse range of customers across its B2C and B2B sales channels. Louis Poulsen's most important customer categories in the B2C market are high-end interior design stores (such as Design Within Reach and Paustian), department stores (such as Bloomingdale's and Illums Bolighus), lighting specialist stores (such as Lysmesteren and Christiania Belysning) and pure online retailers (such as Lumens, Royal Design and nest.co.uk) where Louis Poulsen is able to leverage its strong brand and extensive product portfolio. Customer concentration within the B2C sales channel is low, with Louis Poulsen's top 20 retailers accounting for approximately 22.2% of B2C revenue for the twelve months ended June 30, 2018 and no one retailer accounting for more than 2.3% of B2C revenue. The B2C channel also includes e-commerce sales through Louis Poulsen's own web shop, currently available in Denmark, Sweden, Norway and Germany.

Louis Poulsen's B2B business comprises sales through specifiers in professional projects, such as architects, lighting designers, interior designers and building engineers, of both indoor and outdoor lighting solutions. Over the past five years, Louis Poulsen's B2B division has partnered with leading architects such as BIG (Bjarke Ingels Group), Foster + Partners, Henning Larsen Architects, KHR Architecture, PLH Arkitekter and Kilo Design in a variety of professional projects across the education and government, business, retail, hospitality, healthcare, residential and

other commercial sectors, while the vast majority of B2B Outdoor end-customers are public entities. At a customer level, sales in the B2B division are highly diversified, with the division's top 20 customers accounting for only approximately 13.5% of total B2B revenue for the twelve months ended June 30, 2018, with no one customer accounting for more than 1.5% of total B2B revenue. Denmark remains Louis Poulsen's largest market, accounting for 35.6% of total revenue for the twelve months ended June 30, 2018, while the U.S. represents the largest market for the B2B Outdoor channel.

Intellectual Property

Louis Poulsen has developed a dedicated strategy to improve the protection of its intangible assets and enforce the underlying intellectual property, which primarily consists of trademarks, designs, copyrights, utility models, patents and domain names. Louis Poulsen owns 39 registered designs, primarily registered in the European Union, the U.S., Japan, China and Norway, covering various lighting fixtures, as well as a large portfolio of Danish, European and other international trademarks, including for the name "Louis Poulsen". Louis Poulsen's portfolio of patents, primarily registered in through the Nordic Patent Service, provides additional protection for the inventions inherent in certain of its products. Louis Poulsen has a zero tolerance policy for intellectual property infringement and regularly prosecutes unauthorized use of its designs, trademarks and other intellectual property, and each Louis Poulsen subsidiary is charged with monitoring its local market and reporting any instances of infringement. However, certain of its products and designs may still be copied, and Louis Poulsen may not be able to prevent the production or sale of all such copies. For risks related to intellectual property rights and efforts to protect them, see "*Risk Factors—Risks Related to our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Additional intellectual property rights are governed by Louis Poulsen's license agreements with individual designers. See *"—Agreements with Designers*".

Agreements with Designers

As of June 30, 2018, Louis Poulsen was party to 32 license agreements with designers (or their legal representatives, in case of deceased designers) in connection with the design of lighting products. These include agreements granting Louis Poulsen the exclusive commercial rights to develop, manufacture, market and sell lighting designs by the "big 5" Danish designers Poul Henningsen (rights to 128 designs), Arne Jacobsen (rights to 30 designs), Verner Panton (rights to eight designs), Vilhelm Lauritzen (rights to 35 designs) and Finn Juhl (rights to 12 designs). Louis Poulsen's license agreements generally grant Louis Poulsen the exclusive, non-revocable worldwide right to commercially exploit certain specified lighting designs in exchange for royalties paid to the designer or the designer's legal representatives, generally set at a fixed rate per unit sold and reassessed annually to account for changes in product prices. In general, licenses are granted for the duration of the validity of the copyright of the design, which extends for 70 years after the death of the designer. The first of such licenses to expire will do so in 2037. After the relevant expiry date, Louis Poulsen will still be able to produce and sell the designs of such designers, but without exclusivity. In addition, Louis Poulsen relies to a more limited extent on license agreements with other designers to complement its heritage collection that have different terms. Although these license agreements do not have set termination dates, most grant the designers the right to terminate the agreement should certain minimum sales rates fail to be met over a specified period, or should Louis Poulsen significantly reduce or cease production of certain products. Furthermore, license agreements can generally be terminated by the designers or their legal representatives in the case of material breach, for instance if royalties are not paid when due and following notice from the licensor. See "*Risk Factors—Risks Related to our Business—Our business is in part dependent on our ability to negotiate, maintain and renew license agreements with leading designers on satisfactory terms*". In each of the years ended December 31, 2015, 2016 and 2017, Louis Poulsen incurred a total of DKK 14 million (€1.8 million), DKK 15 million (€2.0 million) and DKK 16 million (€2.2 million) in royalties, respectively.

Real Estate

Louis Poulsen does not own any real estate and instead enters into commercial lease agreements covering its head office, production facilities, warehouses and showrooms. For the twelve months ended June 30, 2018, Louis Poulsen paid a total of DKK 30 million (€4.0 million) in rent and other fees for leased properties.

Employees

As of June 30, 2018, Louis Poulsen had 456 total employees, including 306 located in Denmark. The table below provides a breakdown of Louis Poulsen's employees by function, as of such date:

	As of June 30, 2018
Managers	49
Office workers	244
Production workers	160
Management board	3
Total	**456**

As of June 30, 2018, we estimate that approximately 35% of Louis Poulsen's employees belong to a labor union, and other employees may be represented by labor unions from time to time. Louis Poulsen believes it has good relationships with its employees and their labor unions. Louis Poulsen is party to collective bargaining agreements in Denmark and in the U.S., one of which is up for renewal in 2019, and management believes that the terms of these agreements are consistent with industry practice. Louis Poulsen's success is highly dependent on its ability to attract and retain qualified employees. See "*Risk Factors—Risks Related to our Business—Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations*".

Information Technology

Louis Poulsen uses a SAP (Systems Applications and Products in Data Processing) enterprise resource planning software to manage all of its information technology needs worldwide. This centralized infrastructure increases efficiency in the use of software and hardware and enhances product support and cost control, which ultimately, leads to economies of scale. It also facilitates the use of common processes and data structures throughout the business and ensures data consistency and timely data availability for managing Louis Poulsen's business operations. Louis Poulsen's IT department is composed of five functions: infrastructure, operations, application maintenance, master data and SAP coordination. As of June 30, 2018, Louis Poulsen's IT department consisted of five internal full-time employees and two external full-time consultants.

Legal Disputes and Administrative Proceedings

Louis Poulsen has been, and may from time to time be, party to legal disputes and administrative proceedings within the scope of its business activities. See "*Risk Factors—Risks Related to our Business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*". From time to time, it may also be subject to certain audits by tax or social security authorities. Although the outcome of these legal disputes, administrative proceedings or audits cannot be predicted with certainty, Louis Poulsen does not believe that the ultimate resolution of such matters and any current or potential matters of which it is currently aware will have a material adverse effect on its financial conditions or results of operations. As of December 31, 2017, Louis Poulsen had set aside DKK 4 million (approximately €0.5 million) of provisions for recorded claims in connection with legal proceedings.

Insurance

Louis Poulsen maintains insurance coverage in the areas of business risks, environment, product liability, marine, motor vehicles, travel, workers' compensation, health, cyber risk and directors' and officers' liability. Louis Poulsen believes that it has adequate insurance coverage against all

material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly verified and adjusted when necessary. However, the company may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in its insurance policies. Furthermore, it is possible that Louis Poulsen may not be able to maintain adequate insurance coverage at appropriate premiums in the future. See "*Risk Factors—Risks Related to our Business—Our insurance coverage could prove inadequate*".

Regulatory Environment

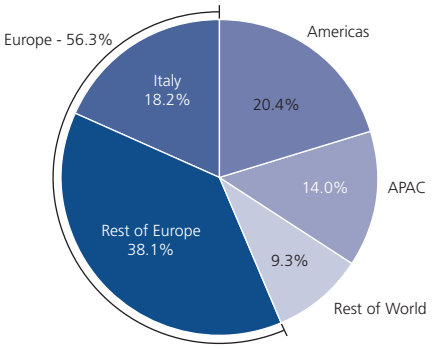
Louis Poulsen believes that it is substantially in compliance with all applicable laws and regulations for the protection of the environment and the health and safety of its employees based upon existing facts presently known to it. Compliance with local, national and international environmental laws and regulations relating to the discharge of substances into the environment, the disposal of hazardous wastes and other regulated activities has had and will continue to have an impact on Louis Poulsen's operations, but has to date been accomplished without having a material adverse effect on Louis Poulsen's operations. Louis Poulsen has trained staff responsible for monitoring compliance with environmental, health and safety requirements. Louis Poulsen's goal is to reduce and, whenever possible eliminate the creation of hazardous waste in its manufacturing processes. While it is difficult to estimate the timing and ultimate costs to be incurred for the achievement of such goal due to uncertainties about the status of laws, regulations and technology, based on information currently known to management, Louis Poulsen does not expect environmental costs or contingencies to have a material adverse effect on its financial position, results of operations, competitive position or cash flows. The operation of manufacturing plants entails risks in these areas, however, and Louis Poulsen cannot be certain that it will not incur material costs or liabilities in the future which could adversely affect its operations.

Louis Poulsen is also subject to laws and regulations governing the production and sale of lighting devices in each jurisdiction in which it operates. Specifically, when entering a new market or introducing a new product to an existing market, the relevant regulatory authority normally has to approve the product before it is allowed to be used and sold in that market. Depending on the country of operations, the approval process may take from two weeks to four months. As part of the approval process, the relevant authority might ask for certain minor changes to the specifications of the product. Historically, however, Louis Poulsen has not experienced any material issues or delays in connection with obtaining regulatory approval for a product.

B&B

B&B is one of the world's leading producers of high-end designer furniture for residential and commercial use. B&B was founded in 1966 by Pier Ambrogio Busnelli and Cesare Cassina and the first factory began production in 1968. Originally called C&B (Cassina & Busnelli), the company was renamed B&B Italia S.p.A. in 1973 following Mr. Busnelli's acquisition of Mr. Cassina's shares. B&B has distinguished itself since its founding with its innovative industrial approach to manufacturing, in contrast to the small, traditional artisan competitors that were typical of the home furnishings sector at the time. For example, in 1968, B&B became the first company to apply polyurethane extrusions to a metal skeleton in a mould, allowing for the production of shapes and for consistency of quality that would not be achievable with traditional production methods, and B&B's iconic Coronado sofa became the first ever sofa produced using this method in the same year. Based in Novedrate in northern Italy, B&B operates from a headquarters designed in 1972 by the world-renowned architects Renzo Piano and Richard Rogers. B&B's products have made a rich contribution to the history of Italian design, with styles that represent the union of creativity, innovation and industrial expertise. This approach has garnered B&B numerous international design accolades, including four Compasso d'Oro prizes, the most prestigious industrial design award in Italy. In 1989, B&B became the first company to win the Compasso d'Oro in its own right, rather than for one of its products.

Investindustrial acquired 80% of B&B from the Busnelli family in 2015, and in 2016 B&B acquired a controlling stake in the Italian high-end kitchen design firm Arclinea, creating a partnership that combined B&B's innovative and design-led approach to home furnishings with Arclinea's established pedigree in creating modern kitchens that are both functional and elegant. B&B continues to innovate in production and manufacturing techniques and in 2016 became the first company in Italy to install the "Versalis offline" unit, a completely automatic system for cutting leather. B&B now operates as a global business, with points of sale in over 80 countries worldwide, eight flagship stores and over 1,000 authorized points of sale, and with 81.7% of revenues generated outside of Italy for the twelve months ended June 30, 2018. For the twelve months ended June 30, 2018, B&B generated total revenues of €208.4 million, net profit of €8.8 million and Adjusted EBITDA of €43.9 million. The chart below shows the geographical split (as derived from management accounts) of B&B's revenues for the twelve months ended June 30, 2018 by location of customer.



In recognition of its flagship status in the Italian design community, B&B was chosen as the founding member of the Altagamma organization, an association of prominent Italian luxury producers considered leaders in their fields and ambassadors for Italian culture and style throughout the world.

Brands

The B&B group encompasses three brands: B&B Italia (including B&B Italia Outdoor), Maxalto and Arclinea. Each brand is distinguished by a unique design identity, while maintaining the design pedigree, quality and precision that defines the B&B group.

B&B Italia

The B&B Italia brand was created in 1966 and comprises a full range of contemporary designer home furnishings, with a focus on innovative contemporary design. The B&B Italia collection includes sofas, chairs, tables, beds, wardrobes, office furnishings and decorative accessories, as well as outdoor furnishings within the B&B Italia Outdoor line. B&B Italia's products are distinguished by their high-end design content, with a particular focus on innovation and technology, and blend contemporary design with timeless taste. B&B Italia products are aimed at highly design-conscious consumers who are able to recognize the brand directly through the product itself. B&B Italia products are also notable for their consistently high quality, which is achieved through primarily internal production, mostly taking place at the company's main manufacturing facility at its headquarters in Novedrate.

The first B&B point of sale was opened in New York in 1976. As of June 30, 2018, there were eight directly operated stores, 26 shop-in-shops, 39 mono-brand stores and 742 multi-brand stores around the world, with a total of 64 points of sale in the Americas, 34 points of sale in the Far East, 211 points of sale in Italy, 485 points of sale in the rest of Europe and 21 points of sale in the Middle East and the rest of the world. Of the total 815 points of sale as of such date, 611 sold both B&B Italia and Maxalto products. For the twelve months ended June 30, 2018, the B&B Italia brand (excluding sales of B&B Italia branded products made through the Contract division) generated 58.0% of the B&B group's revenue (as derived from its management accounts).

Maxalto

Established in 1975, the Maxalto brand is characterized by classical shapes revisited in a contemporary style, with a focus on artisanal craftsmanship and superior woodworking. The design of the collection, coordinated by the celebrated Italian architect and industrial designer Antonio Citterio, is inspired by the romanticism of French design between the two world wars. The Maxalto brand comprises five collections, each with a distinct style but mutually consistent and designed to be coordinated:

- the Apta collection, focusing on contemporary interpretations of classical designs;
- the AC collection, focusing on functional, modern pieces with basic lines;
- the Semplice collection, characterized by bold lines and a light frame;
- the Lux collection, with shellac finishes to enhance lighting effects; and
- the Acro collection, which showcases handcrafted, sculptural wooden pieces.

Maxalto products are aimed at sophisticated middle class consumers seeking a timeless product, and in emerging markets particularly toward those looking for a classic, European style. Production of Maxalto products is almost completely internal, taking place at B&B's manufacturing facility in Misinto, Italy. For the twelve months ended June 30, 2018, the Maxalto brand (excluding sales of Maxalto branded products made through the Contract division) generated 20.4% of the B&B group's revenue (as derived from its management accounts).

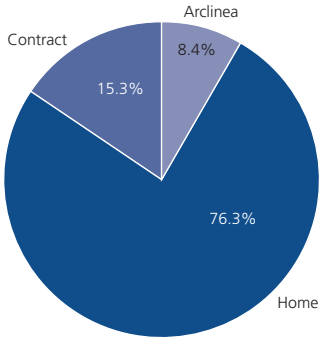
Arclinea

Arclinea began in 1925 as a family-owned woodworking shop, originally producing doors and windows and eventually transitioning to the design and production of kitchens in the 1950s. The first Arclinea kitchen debuted in 1958, and shortly thereafter Arclinea introduced the Claudia, the first kitchen with built-in electrical appliances. Arclinea kitchens blend the materials, methods and functionality of professional kitchens with modern design elements, meeting the practical needs of home cooks while seamlessly blending with the design of the contemporary home. Since 1986, Arclinea has been in partnership with the Italian architect and industrial designer Antonio Citterio, who has been responsible for many of Arclinea's most recognisable and popular designs, including the Italia, first introduced in 1988, the Artusi, first introduced in 1999, and the Principia, first introduced in 2016. The B&B group acquired a majority stake in Arclinea in September 2016.

As of June 30, 2018, B&B had one directly-operated Arclinea store, 14 mono-brand Arclinea stores (including one shared with B&B Italia and Maxalto, located in London) and 271 multi-brand stores that carry Arclinea kitchens around the world. For the twelve months ended June 30, 2018, the Arclinea brand (excluding sales of Arclinea branded products made through the Contract division) generated 8.5% of the B&B group's revenue (as derived from its management accounts).

Business Divisions

The business of the B&B group is composed of three divisions: (i) the Home division, which comprises retail and wholesale sales of B&B Italia and Maxalto products; (ii) the Contract division, which comprises full "turn-key" fit-outs of commercial and residential properties using both standard and custom B&B products, as well as third-party products, depending on the project; and (iii) the Arclinea division. The chart below shows the breakdown of B&B's revenues (as derived from its management accounts) by business division for the twelve months ended June 30, 2018.



Home Division

The Home division focuses on the production of high-end, design-focused furniture primarily for residential applications, distributed to customers through both directly operated retail stores and third-party wholesalers. This division represents the original conception of B&B as a producer of contemporary high-quality furnishings and focuses on the sale of the B&B Italia (including B&B Italia Outdoor) and Maxalto brands. For the twelve months ended June 30, 2018, the Home division generated €179.0 million of revenue (or 84.7% of the B&B group's revenue), as derived from B&B management accounts.

Contract Division

B&B's Contract division delivers custom "turn-key" furniture solutions and finishes in the residential, hospitality, retail and office sectors. The expertise that the Contract division has built up over the years enables B&B to develop executive and technical projects for hotels, residences, offices, theatres, shops, yachts and cruise ships. The Contract division offers high-quality, custom furniture that is specifically designed, engineered and manufactured for each project, as well as furnishings from the B&B catalogue and complementary items from third-party producers. The materials, finishes, fabrics, leathers and coatings are conceived to meet the precise demands of the contract, both in terms of function (e.g. ease of maintenance, comfort, fire safety and wear and tear) and aesthetics. The Contract division manages complex orders through the entire conception and production cycle, from design and logistics to supply and installation. The activities surrounding the design, production, project management and logistics of large custom projects are fully integrated within the Contract division to enable the efficient and effective execution of contract projects while maintaining the constant pursuit of technical and design excellence.

Contract projects are primarily split into two main categories: (i) complete fit outs, in which B&B designs and fits out an entire interior space, including flooring, wallcoverings and furniture that are all completely custom; and (ii) furniture, fixtures and equipment ("**FFEs**"), in which B&B provides furnishings (either custom or from the standard catalogue) for an existing interior space.

Among some of the notable recent projects completed by the Contract division are the Café Royal, the Bulgari Hotel and the Me Hotel in London, the Aman Canal Grande hotel in Venice, the Excelsior Hotel Gallia in Milan, the Peninsula Hotel in Paris, the executive offices of the Abu Dhabi National Oil Company in Abu Dhabi and the Aman Amanera hotel in Santo Domingo, as well as a series of prestigious international projects in the cruise ship and office sectors. For the twelve months ended June 30, 2018, the Contract division generated €32.3 million of revenue (or

15.3% of the B&B group's revenue), as derived from B&B management accounts, of which 36.3% was derived from the hospitality sector, 25.2% from the retail sector, 33.8% from the residential sector and 4.6% from the office sector.

Arclinea Division

Since B&B acquired a majority stake in Arclinea in 2016, it has continued to operate the business as a separate legal entity and division. For the twelve months ended June 30, 2018, the Arclinea division generated €17.9 million of revenue (or 8.5% of the B&B group's revenue), as derived from B&B management accounts.

Design

B&B's strong relationships with international designers and its dedication to continual research and product development have always been key factors in the strategic development of the company. The unique elements that comprise each product are the direct result of the ongoing research, creativity and quality that characterize B&B. B&B has long been recognized for its iconic designs, for which it has received numerous prestigious design prizes, including four Compasso d'Oro prizes (for the "Le Bambole" sofa by Mario Bellini in 1979, for the "Sisamo" wardrobe system by Studio Kairos in 1984, for the "Sity" sofa by Antonio Citterio in 1987 and for the company itself in 1989). Over the past 50 years, B&B has collaborated with some of the world's most prestigious architects and designers, including Antonio Citterio, Gaetano Pesce, Naoto Fukusawa, Patricia Urquiola, Mario Bellini, Zaha Hadid and many others. B&B currently collaborates with approximately 30 designers, including Antonio Citterio, Naoto Fukusawa, Bernett Jeffrey, Studio Kairos, Massaud, Gaetano Pesce, Buratti, Piero Lissoni and Vincent van Duysen. B&B's products are collected by leading design museums worldwide, including the Design Museum in London and La Triennale di Milano in Milan. B&B's internal research and product development team, comprising approximately 20 members, acts as a support network to these designers, working side-by-side with the designers throughout the design process, providing expert support on materials and production technology and enabling the designs to be channelled into successful B&B products. In particular, in order to become part of any B&B collection, each design must be consistent with the B&B brand philosophy and heritage, so that the B&B imprint may be clearly recognized in any product. Management believes this is one of the key factors that differentiates B&B from its competitors. See "*—Agreements with Designers*" for information on B&B's contractual arrangements with its designers.

Production

B&B maintains a constant focus on research and innovation of shapes and materials and the creation of pioneering process technologies. For example, B&B was the first company to apply polyurethane extrusions to a metal skeleton in a mould, which allows for the production of shapes and for consistency of quality that would not be achievable with traditional production methods. B&B's manufacturing processes aim to maintain traditional handicraft elements while applying them on an industrial scale. B&B's products are primarily manufactured in-house, which contributes to the superior quality that has become synonymous with the brand, with raw materials and components supplied by a diversified group of providers with longstanding relationships. However, part of the production (*e.g.* outdoor products) is outsourced as needed in order to maintain optimum margins. Production at each of the manufacturing facilities is on an order-driven basis, with approximately four to six weeks of lead time for each order, in addition to the time required for the delivery, which varies depending on the customer's location. See "*—Real Estate—Production Facilities" for further information on our production facilities. During the manufacturing process, each product is subject to quality control assessments that are performed at various steps by the workers who are directly in charge of the relevant manufacturing phase, as well as by dedicated quality control personnel who provide the final authorization for the release and shipment of the product.*

Supply Chain Management

B&B sources raw materials and components for its products from a diverse group of suppliers, primarily located in Italy. In 2017, the company sourced products and materials from 810

suppliers, with the top 21 suppliers accounting for approximately 45.2% of total sourcing value and with no one supplier accounting for more than 5.6% of total sourcing value. Suppliers are carefully selected at the central level to ensure quality of materials and availability of supplies. B&B benefits from long-term relationships with many of its suppliers, with 86% of its top 21 suppliers in 2017 having contracted with B&B for ten years or more and 43% for 20 years or more. B&B primarily sources materials it does not have the capacity or volume to produce internally, such as leather, fabrics, iron, plastics, wood, etc.

B&B enters into standard supply agreements with some of its suppliers, governing, *inter alia*, (i) the supply process, (ii) the general terms of delivery of purchased materials, (iii) the terms of invoicing and (iv) certain general obligations of the suppliers. In particular, B&B generally agrees with such suppliers the specific conditions of supply in the form of a framework agreement. B&B then places a supply order with the supplier, which confirms within five days the receipt and acceptance of the order and the relevant date of delivery. The supplier then notifies B&B of delivery two days in advance and follows up with an invoice including all details of the supply order. If any materials are found to be defective, B&B may return those materials to the supplier, which will bear all costs and expenses for repairs or substitutions.

Marketing

B&B's marketing approach is based on a strong presence across both print and digital media. The marketing function is primarily organized by business division, although the marketing teams coordinate their actions on a regular basis and an integration process is currently being implemented. In addition to traditional print advertising in luxury lifestyle and design publications, B&B maintains a digital presence that is broadly composed of five marketing tools:

- *B&B website.* B&B's website, bebitalia.com, is the most visited among B&B's core competitors, with an average of 260,000 visits each month in the six months ended June 30, 2018. The website is currently available in six languages (Italian, English, German, French, Spanish and Russian) and a Chinese version, bebitalia.cn, has recently been launched to boost online visibility in China, one of B&B's most rapidly growing markets.

- *Newsletter*. B&B also publishes a bi-monthly newsletter, which it distributes to a network of over 99,000 architects, designers and press.

- *Web advertisement*. In addition to targeted Google advertising and search engine optimization activity based on brand keywords, B&B's web presence is bolstered by its partnership with a variety of architecture and design websites and portals, including Stylepark, Archiexpo, Archiproducts, Interior Design, Architizer and Architonic (on which B&B is the second most visited furniture brand).

- *Social networks*. B&B maintains a strong presence on social media as well, with accounts and/or fan pages on Facebook, Instagram, Pinterest, Twitter, LinkedIn, YouTube and WeChat. B&B's social network accounts have one of the biggest fan bases among Italian design companies, with over 100,000 followers on Facebook and 280,000 followers on Instagram as of August 2018.

- *Other digital public relations*. In addition to maintaining its own social media accounts, B&B has recently turned its focus to additional online public relation activities, including partnering with influencers to create native-generated content and increase brand awareness and reputation.

Distribution Channels

B&B's approach to distribution is to make the path from design and production to the end customer as direct and efficient as possible in order to preserve and pass on to the customer a product that represents the unaltered B&B brand identity. Architects and specifiers play a key role at each stage of the distribution process. B&B's distribution is broadly divided into three channels: (i) retail, which comprises directly operated stores; (ii) wholesale, which comprises

mono-brand stores (all operated by third parties), shop-in-shops and multi-brand stores; and (iii) contract, which comprises the delivery of custom products in B&B's Contract division.

Retail

B&B operates a retail network of eight directly operated stores in Europe and the United States, with locations in New York City (two stores), Washington D.C., Dallas, London, Munich, Paris and Milan. For the twelve months ended June 30, 2018, the retail channel (excluding Arclinea) generated €30.9 million of revenue, with 44.9% of such revenue derived from stores in the United States, 27.2% from London, 13.8% from Paris, 10.1% from Milan and 4.0% from Munich. B&B also operates one directly operated store dedicated to Arclinea kitchens, located in London.

Wholesale

B&B's wholesale network comprises 52 mono-brand stores, 26 shop-in-shops and 970 multi-brand stores spread around the globe. Some of these third-party retailers also have e-commerce platforms. Mono-brand stores are similar to B&B's directly operated retail stores in that they only sell products from the three B&B brands, but the stores are managed by third parties. Shop-in-shops are in-store branded areas dedicated to B&B products within third-party retailers, with the size and appearance of the display defined by B&B, and multi-brand stores refer to third-party retailers who carry B&B products but do not operate specific B&B branded areas within their shops. The wholesale distribution channels are tailored by geographic region, with each region served by the combination of store types that B&B deems most appropriate for the local market. The table below outlines the breakdown of each store type across the geographic regions in which B&B operated as of June 30, 2018.

Region	Mono-Brand Stores	Shop-in-Shop	Multi-Brand Stores	Total
Italy	7	1	334	342
Rest of Europe	11	9	528	548
America	13	7	58	78
Far East	17	9	28	54
Middle East and Rest of World	4	—	22	26
Total	**52**	**26**	**970**	**1,048**

B&B enters into standard contracts with its most important wholesalers governing, *inter alia*, (i) the purchase process and the execution of the relevant orders, (ii) the terms of delivery of the products and (iii) the procedure for claims by the wholesaler. Wholesalers generally reach out to B&B to place product orders and may request certain products to be customized. Transportation arrangements with respect to finished goods vary depending on various factors, including the commercial practices of each market, the type of customer and the relevant contract, if applicable. B&B provides wholesalers with a list of recommended retail prices for its products, although wholesalers are not contractually bound to apply such prices.

The wholesale network is served directly from B&B's headquarters. In Europe, including Italy, the network is generally covered by sales agents, except for Greece and Turkey, which are served by local distributors. America and the Far East are primarily covered by B&B's internal salesforce, other than Japan, which is served by a local distributor. For the twelve months ended June 30, 2018, the wholesale channel generated €148.1 million of revenue, with 18.9% of such revenue derived from stores in Italy, 43.1% from the rest of Europe, 31.6% from North America, 14.7% from Asia, 3.2% from the Middle East and 0.6% from the rest of the world.

Contract

B&B's contract projects are handled through their own distribution channel, either directly with general contractors in the case of complete fit-outs or through architects and designers for FFEs. Leads are normally pursued by B&B internal salesforce. In addition, some of the B&B directly operated stores, such as the London store, have dedicated Contract teams.

Customers

B&B serves a range of customers, including design-conscious individuals, architects, interior designers and other design professionals in the retail channel, high-end designer furnishings stores in the wholesale channel, and businesses in the residential, hospitality, retail and office sectors in the contract channel, such as hotel chains, and luxury/fashion brands. B&B's customers are highly diversified, with the top 20 customers for the twelve months ended June 30, 2018 accounting for 24.4% of B&B's revenue (excluding Arclinea, as derived from its management accounts) and no one customer accounting for more than 2.6% of its revenue (excluding Arclinea, as derived from its management accounts). B&B also benefits from long-term relationships with many of its customers, with 62% of its top 20 customers having purchased from B&B for ten years or more. Europe remains B&B's largest market, accounting for 56.3% of total revenue and 46.0% of wholesale revenue (each as derived from B&B's management accounts) for the twelve months ended June 30, 2018. In the retail channel, however, B&B's largest market is the U.S., which generated 45.0% of retail revenue for the twelve months ended June 30, 2018.

Intellectual Property

B&B primarily protects its intellectual property through the use of registered trademarks and patents. B&B owns three trademark families, "B&B Italia," "Maxalto" and "Arclinea", in addition to "Azucena" which B&B acquired in December 2017, generally on a worldwide basis and covering, among other things, upholstered and wood furniture, lighting fixtures, accessories and textiles. In addition to registered trademarks, B&B owns several *de facto* trademarks covering the names of its products and product lines. B&B has also registered certain of its product designs, although the registration of designs is only undertaken on a case-by-case basis depending on the importance of the product and its market positioning. B&B also owns a portfolio of 78 design patents or design patent applications, primarily registered or under registration in Italy, EU, U.S., Australia and China, and three invention patents registered in Italy. For information on risks related to intellectual property rights and the efforts to protect them, please see "*Risk Factors—Risks Related to Our Business—If we are unable to protect our license and other intellectual property rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs*".

Outside of registered trademarks and patents, the majority of B&B's intellectual property rights are governed by license agreements with individual designers. See "*—Agreements with Designers*".

Agreements with Designers

B&B's relationships with designers are governed by license agreements. B&B is currently party to 36 license agreements with well-known designers. The license agreements grant the exclusive ownership rights of the intellectual property associated with certain product shapes to the designer, while granting B&B the right to commercially exploit the specified intellectual property on an exclusive basis. The intellectual property that is the subject of the contract is typically referred to in the form of a product list or pictures, rather than a list of registered or unregistered intellectual property rights. As license agreements cover specifically enumerated items of intellectual property, designers remain free to create new designs that are not governed by the license agreement and to contract with third parties regarding those designs. The license agreements also normally include arbitration clauses in the case of disputes. License agreements are typically open-ended in duration, with termination clauses in favor of both B&B and the designers, although a few key licenses are subject to 20-year terms. Following termination, the designer is entitled to request a transfer of the intellectual property rights to another party, and designers who terminate their contracts are not limited by non-compete clauses or product originality requirements. Pursuant to most of its license agreements, B&B is required to pay royalties on a quarterly basis to the relevant designers in amounts which are calculated on the basis of the net sales generated by the relevant designs. However, for upholstered furniture designs, the net sales used as a basis for the calculation of royalties do not normally include the

value of the upholstery. For each of the years ended December 31, 2015, 2016 and 2017, B&B paid a total of €3.0 million, €3.3 million and €3.8 million, respectively, in royalties to designers. In addition to these standard license agreements, B&B has entered into a very small number of license agreements that provide the relevant designers with additional rights, such as the right to receive upfront one-off payments that are not linked to the relevant products' sales performance or sponsorship fees related to certain events or exhibitions, or our obligations to make investments in marketing activities in connection with certain events, such as a particular anniversary of a product.

Real Estate

B&B owns two material properties: the headquarters in Novedrate and a manufacturing facility in Misinto. The Arclinea manufacturing facility in Caldogno, the warehouses in Carugo and Arosio and the directly operated retail stores are leased under commercial lease agreements. For the twelve months ended June 30, 2018, B&B paid a total of €6.7 million in rent relating to these leases.

Production Facilities

B&B's production operations are based in northern Italy, with three manufacturing facilities (the Novedrate and Misinto facilities which are owned and the Caldogno facility which is leased), one research and product development center (which is part of the Novedrate facility), three warehouses for finished products (one rented and two managed by third parties) and one rented warehouse for semi-finished products and outdoor assembly.

Novedrate

B&B's headquarters are located in Novedrate, in northern Italy. The headquarters comprise a manufacturing facility, a research and product development center, a showroom and offices. The 18,000 square meter manufacturing facility is primarily dedicated to upholstered furniture for both the B&B Italia and Maxalto brands and also serves as a logistics hub for outsourced products and for product assembly. The 2,900 square meter research and product development center houses B&B's dedicated research and product development functions, where architects and designers work alongside craftsmen and engineers to create new designs, develop materials and design innovative production technologies.

Misinto

The 22,100 square meter manufacturing facility in Misinto is primarily dedicated to the manufacturing of furniture systems and of Maxalto products. The Misinto facilities are highly specialized for wood processing, leveraging the skills of expert craftsmen in partnership with cutting-edge industrial techniques. Within the Misinto facility, 10,800 square meters of space are dedicated to the production of systems, while 9,000 square meters are dedicated to Maxalto products.

Caldogno (Arclinea)

The production of all Arclinea products takes place at the 30,000 square meter manufacturing facility in Caldogno, in north-eastern Italy. The Caldogno facility, which is leased, also includes the headquarters of the Arclinea business line and a showroom.

Warehouses

B&B utilizes four warehouses in northern Italy for the storage of raw materials, semi-finished products and finished products: an 8,000 square meter leased warehouse in Carugo for the storage of semi-finished products and raw materials and the assembly of outdoor furniture, a 4,000 square meter leased warehouse in Arosio for the storage of finished products, and warehouses in Varedo and Bovisio Masciago that are managed by third parties and used as storage for finished products.

Employees

As of June 30, 2018, B&B had 618 total employees, including 571 located in Italy.

The table below provides a breakdown of B&B's employees by function, as of June 30, 2018:

	As of June 30, 2018
Managers	27
Office workers	289
Production workers	302
Total	**618**

As of June 30, 2018, 23.3% of B&B's employees belong to a labor union. B&B believes it has good relationships with its employees and their labor unions. B&B is party to collective bargaining agreements in Italy and France and management believes that the terms of these agreements are consistent with industry practice. B&B's success is highly dependent on its ability to attract and retain qualified employees. See "*Risk Factors—Risks Related to our Business—Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations*".

Information Technology

B&B has a centralized information technology infrastructure based in Italy for its global operations, with the exception of Arclinea, which has its separate IT infrastructure. B&B's centralized infrastructure increases efficiency in the use of software and hardware, enhances product support and cost control and, ultimately, leads to economies of scale. It also facilitates the use of common processes and data structures throughout the business and ensures data consistency and timely data availability for managing B&B's business operations. B&B's IT department is composed of two functions: Hardware and Telco, which is responsible for network administration and running the IT help desk, and SW and Application Management, which is responsible for the company's intranet, legacy systems, new application development and system management. As of June 30, 2018, the IT department was made up of eight full time employees, plus one external full time consultant.

Legal Disputes and Administrative Proceedings

From time to time, B&B is involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. See "*Risk Factors—Risks Related to our Business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*". Moreover, from time to time, former and present directors, officers, agents and employees may be involved in civil and/or criminal proceedings. In many cases, there is substantial uncertainty regarding the outcomes of the proceedings and the amount of any possible losses. B&B cannot rule out that the claims or proceedings could result in rulings against it, but it is defending, and will defend, itself in these claims or proceedings to the extent necessary and prudent. The following is a description of the material legal proceeding in which B&B is currently involved. As of June 30, 2018, B&B had set aside €1.2 million of provisions for risks and charges in connection with legal proceedings.

Epoca

B&B is currently undergoing a conciliation process with Epoca Gold S.A. ("**Epoca**"), a manufacturer and supplier of furniture. B&B engaged Epoca in early 2013 as a supplier for a project in Paris, for a total amount of €2.6 million. Following delays and non-conformity of supplies, B&B terminated the agreement with Epoca and was required to replace the agreement with separate engagements with a variety of different suppliers, leading to an increase in costs. In July 2014, Epoca initiated litigation against B&B alleging improper termination of the agreement and claiming compensation of €1.9 million. B&B entered a counterclaim against Epoca in the amount of €5.6 million to cover the additional costs incurred to replace Epoca following termination of the contract. Due to the complexity of the claims, the judge recommended that the parties settle out of court. The first conciliation meeting was held in November 2017, in which conciliators recommended that the parties settle for no cost due to the uncertainty of the claims, the difficulty in establishing liability and Epoca's lack of financial

resources. A second conciliation meeting was held in December 2017, during which B&B expressed its willingness to settle for no cost; however, Epoca repeated its claims and requested €350,000 as compensation for damages. B&B rejected Epoca's request and the litigation remains pending.

Insurance

B&B's insurance program is managed with one of the largest international insurance brokers and covers all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is based on a risk assessment overview which is regularly verified and, to the extent required, adjusted. B&B believes that it has adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. However, the company may incur losses that are not covered by existing policies or that exceed the coverage level stipulated in its insurance policies. See "*Risk Factors—Risks Related to our Business—Our insurance coverage could prove inadequate*".

Regulatory Environment

B&B believes that it is substantially in compliance with all applicable laws and regulations for the protection of the environment and the health and safety of its employees, as well as the laws and regulations governing the manufacturing of furniture in the various markets where it operates, based upon existing facts presently known to it. Compliance with local, national and international environmental laws and regulations relating to the discharge of substances into the environment, the disposal of hazardous wastes and other regulated activities has had and will continue to have an impact on B&B's operations, but has to date been accomplished without having a material adverse effect on B&B's operations. B&B has trained staff responsible for monitoring compliance with environmental, health and safety requirements. B&B's goal is to reduce the creation of hazardous waste in its manufacturing processes. While it is difficult to estimate the timing and ultimate costs to be incurred for the achievement of such goal due to uncertainties about the status of laws, regulations and technology, based on information currently known to management, B&B does not expect environmental costs or contingencies to have a material adverse effect on its financial position, results of operations, competitive position or cash flows. The operation of manufacturing plants entails risks in these areas, however, and B&B cannot be certain that it will not incur material costs or liabilities in the future which could adversely affect its operations. See "*Risk Factors—Risks Related to our Business—Any disruption relating to our manufacturing or assembly facilities or warehouses or to our distribution and delivery processes could have a materially adverse impact on our business*".

In 2018, the U.S. introduced certain bans on formaldehyde-releasing agents which are often found in, among other things, resins used in the manufacture of composite wood products, glues, paints, coatings and lacquers. As a result of these new rules, B&B had to adjust its manufacturing processes to ensure that no such agents were contained in its products, which caused minor delays in the delivery of certain products to the U.S. B&B's general approach to such situations is to promptly adapt its manufacturing standards and processes to the highest industry standards required by the laws of the countries in which it operates, as these may change from time to time. Although this change did not result in any material cost increases, there can be no assurance that future changes in environmental, product safety or other regulations would not result in material increases in raw material costs or delays in production. See "*Risk Factors—Risks Related to Our Business—More stringent regulations, including in the area of consumer data privacy, could adversely affect our business, financial condition and results of operations*".

MANAGEMENT

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy. The Issuer was formed as a limited liability company (*società a responsabilità limitata)* on September 10, 2018 for the purpose of facilitating the Transactions and was converted into a joint stock company (*società per azioni*) by way of a resolution of the extraordinary shareholders' meeting on October 23, 2018. The Issuer is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Montenapoleone 29, 20121 Milan, Italy.

Issuer Board of Directors

The board of directors of the Issuer (the "**Issuer Board**") currently comprises two directors. The Issuer Board is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the Issuer Board is to carry out the business of the Issuer and to legally represent the Issuer in its dealings with third parties. Upon completion of the Transactions, a new board of directors will be appointed at the level of the Issuer. Such board will include, *inter alios*, members appointed by Investindustrial and Carlyle, although its composition has not yet been determined as of the date of this Offering Memorandum. The business address of the members of the Issuer Board is Via Montenapoleone 29, 20121 Milan, Italy. The current members of the Issuer Board are:

Name	Age	Position
Carlotta Veneziani	37	Director
Paolo Solari	37	Director

The following is biographical information for each of the members of the Issuer Board:

Carlotta Veneziani. Ms. Veneziani holds a bachelor degree in Economics and Company Law from Università L. Bocconi. Following her graduation in 2004, Ms. Veneziani joined the firm Studio Vanzetta e Associati and has been collaborating with the firm since then.

Paolo Solari. Mr. Solari holds a bachelor in Business and Economics from the Università Statale degli Studi di Milano Bicocca. In 2008, following his graduation, Mr. Solari worked for various law firms specialized in Business and Tax Law. In 2015, Mr. Solari has joined the firm Studio Vanzetta e Associati and has been collaborating with the firm since then.

Issuer Board of Statutory Auditors

Pursuant to Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*), the objective of which is to oversee the Issuer's compliance with applicable law and with its bylaws, monitor the implementation of best practices, and assess the adequacy of its internal controls and accounting reporting systems, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors of the Issuer. The following table sets forth the name, age and title of the members of the board of statutory auditors of the Issuer. These members will remain in office until approval by the Issuer's shareholders of the Issuer's financial statements for the year ended December 31, 2020. After the consummation of the Transactions, we may appoint additional or different auditors to the board of statutory auditors of the Issuer, although the revised composition of the board of statutory auditors of the Issuer has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Mara Vanzetta	51	Chair
Massimiliano Di Maria	47	Auditor
Michela Cassano	31	Auditor
Simone Berton	37	Alternate Auditor
Silvia Benzoni	36	Alternate Auditor

Design Holding

Design Holding is a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy and was formed on August 1, 2018 for the purpose of facilitating the Transactions. Design Holding directly owns the entire share capital of the Issuer and is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10446470964. The registered office of Design Holding is at Via Montenapoleone 29, 20121 Milan, Italy.

We expect that the management team that will oversee the operations of the Group following the Acquisitions will be located at the level of Design Holding. The management team will operate under the guidance of the Design Holding Board of Directors, of which Mr. Piero Gandini will serve as chairman. We expect that management compensation will be consistent with industry standards.

Flos

Flos is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy. Flos' registered office is at Via Angelo Faini 2, 25073 Bovezzo (BS), Italy. Flos is registered with the Companies Register of Brescia under number 00290820174.

Flos Board of Directors

The board of directors of Flos (the "**Flos Board**") currently comprises nine directors. The Flos Board is responsible for managing Flos in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the Flos Board is to carry out the business of Flos and to legally represent Flos in its dealings with third parties. The following table sets forth the name, age and position of the current members of the Flos Board. After the consummation of the Transactions, we may appoint additional or different directors to the Flos Board, although the revised composition of the Flos Board has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Vitaliano Borromeo Arese	58	Chairman, Director
Piero Gandini	55	Executive Director
Manuel Perani	55	Executive Director
Federico Otto Martinez Weber	55	Non-Executive Director
Alessandro Fogo	43	Non-Executive Director
Davide Ambrogio Pelle	34	Non-Executive Director
Martina Peterlini	32	Non-Executive Director
Maurizio Bottinelli	52	Non-Executive Director
Carlo Privitera	49	Non-Executive Director

The following is biographical information for each Flos Board member:

Vitaliano Borromeo Arese. Mr. Borromeo is the Chairman of Flos and several other companies including, Sag S.r.l. and Parco del Mottarone S.r.l., Milan 1919 S.r.l., Real Estate of Cavallo Rampante S.r.l. and Real Estate Porta Volta S.r.l. Mr. Borromeo holds a Business and Economics degree from Università L. Bocconi. Mr. Borromeo has many years of experience in executive roles, such as CEO of So.ge.par Group S.p.A. and Senior Advice President for EMEA markets at Outokumpu S.p.A.

Piero Gandini. Mr. Gandini has been CEO of Flos since 1996. Mr. Gandini has been holding several institutional positions outside of Flos, including two mandates as Chairman of Assoluce from 2008 to 2013. Mr. Gandini has also served as Chairman of Flos and is now a Board member of the company.

Manuel Perani. Mr. Perani joined Flos in June 2003 and is now the Executive Vice President for Operations and Finance. Prior to joining Flos, Mr. Perani had cumulated eight years in financial roles in various companies. Mr. Perani graduated from Università L. Bocconi in 1988.

Federico Otto Martinez Weber. Mr. Martlnez is a Director of Flos and has served as Director of many of Flos subsidiaries in Norway, Denmark, Germany, Singapore, Shanghai, the U.S. and also at Light Contract since 2010, which is another of the group's companies. Mr. Martinez holds a degree in Economics from the University of Valencia and a postgraduate degree from IESE Business School.

Alessandro Fogo. Mr. Fogo has been a Director of the company since 2014. He also serves as a non-executive director of Artsana S.p.A., Prenatal Retail Group S.p.A., B&B Italia S.p.A., Arc Linea Arredamenti S.p.A., Icon 1 S.à r.l. and Icon 2 S.à r.l. and is an employee with advisory functions of Investindustrial Services S.A. Mr. Fogo holds a M.Sc. in Economics from Ca' Foscari Venice University, Italy.

Davide Ambrogio Pelle. Mr. Pelle has been a Director at Flos since 2017. He has been an employee with advisory functions of Investindustrial Services S.A. since 2015. Prior to that, Mr. Pelle was investment manager at Intek Group. Mr. Pelle holds a M.Sc. in Management and a Bachelor in Business Administration from Università L. Bocconi.

Martina Peterlini. Ms. Peterlini has been a Director of Flos since 2017. Ms. Peterlini has been an employee with advisory functions of Investindustrial Services S.A. since 2015. Prior to this, Ms. Peterlini worked for four years at Lazard, where she was engaged in a large number of Italian and cross-border M&A and restructuring transactions. Ms. Peterlini holds a Master in Accounting, Corporate Finance and Control and a Bachelor in Economics of Arts, Culture & Communication from Università L. Bocconi.

Maurizio Bottinelli. Mr. Bottinelli is a member of Flos Board of Directors. Mr. Bottinelli is a Senior Principal at Investindustrial. He served as the Chief Executive Officer since January 2016 and Board Member of Clessidra SGR S.p.A. He served as the Head of Investment Team since 2013 and Partner since 2007. Mr. Bottinelli joined Clessidra SGR in 2007 and worked at the firm for 10 years. Mr. Bottinelli holds a bachelor's degree from Politecnico di Milano.

Carlo Privitera. Mr. Privitera is a member of the Board of Directors of Flos. Mr. Privitera joined Investindustrial in 2016 and is responsible for the technology and digitalization centre of excellence based in the New York office. Prior to this, Mr. Privitera was at Luxottica Group where he held different senior positions such as President or E-Commerce & Digital Innovation Lab and Chief Operating Officer of Luxottica Retail in North America. Mr. Privitera started his career as a consultant and later moved to Fiat where he held roles including Vice President of Production Controls & Logistics and Vice President of Alfa Romeo Supply Chain. Since leaving Luxottica last year, Carlo has acted as an advisor and board member to several technology startups.

Flos Senior Management

The following table sets forth the name, age and position of the current senior management of Flos. After the consummation of the Transactions, we may appoint additional or different senior managers of Flos, although this has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Piero Gandini	55	Chief Executive Officer
Federico Otto Martinez Weber	55	CEO, Antares
Manuel Perani	55	EVP Operations and Finance
Elisabetta Scotti	50	Chief Financial Officer
Barbara Corti	45	CDO and Head of Marketing
Carlo Moro	50	Commercial Director

The following is biographical information for each senior manager of Flos:

Piero Gandini. See "*—Flos Board of Directors*".

Federico Otto Martinez Weber. Mr. Otto Martínez Weber is a Director of Flos and has served as Director of many of Flos subsidiaries in Norway, Denmark, Germany, Singapore, Shanghai, the U.S. and also at Light Contract since 2010. Mr. Otto Martínez Weber holds a degree in Economics from the University of Valencia and a postgraduate degree from IESE Business School.

Manuel Perani. Mr. Perani joined Flos in June 2003 and is now the Executive Vice President for Operations and Finance. Prior to joining Flos, Mr. Perani had cumulated eight years in financial roles in various companies. Mr. Perani graduated from Università L. Bocconi in 1988.

Elisabetta Scotti. Ms. Scotti has served as Chief Financial Officer of Flos since April 2015. Ms Scotti has over 20 years of experience in financial roles, including positions as controller and Chief Financial Officer of several different companies and as Director at PricewaterhouseCoopers for 14 years. Ms. Scotti graduated from Università L. Bocconi in 1992 with a Bachelor in Business administration and management.

Barbara Corti. Ms. Corti is the Chief Digital Officer & International Marketing Director of Flos. With a degree in architecture, Mr. Corti worked for more than ten years as a Creative Director in digital communication agencies and for five years as Digital Product Director in Condé Nast Italia, as well as gaining experience as a consultant and mentor for several fashion world startups.

Carlo Moro. Mr. Moro has been the Director of Sales and Business Development of Flos for the past two years. Mr. Moro joined Flos in 2014 following various roles as Director in the lighting and furniture industry. Mr.Moro graduated from the University Cà Foscari in Venice in 1996 with a University degree in Business Management.

Compensation

In 2017, the aggregate cash compensation and other benefits paid to members of the Flos Board and to Flos' senior management amounted to €2.2 million.

Flos Board of Statutory Auditors

Pursuant to Italian law, Flos has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee Flos' compliance with applicable law and with Flos' bylaws, monitor the implementation of best practices, and assess the adequacy of the internal controls and accounting reporting systems at Flos, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors of Flos. The following table sets forth the name, age and title of the members of the board of statutory auditors of Flos. They will remain in office until approval by the Flos shareholders of the Flos financial statements for the year ended December 31, 2019. After the consummation of the Transactions, we may appoint additional or different auditors to the board of statutory auditors of Flos, although the revised composition of the board of statutory auditors of Flos has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Paolo Ludovici	53	Chair
Mara Vanzetta	51	Auditor
Massimo Gallina	53	Auditor
Giovanni Martinelli	71	Alternate Auditor
Loredana Anna Conidi	47	Alternate Auditor

LP

LP is a public limited liability company (*aktieselskab*) organized under the laws of Denmark. LP's registered office is at Kuglegårdsvej 19, DK-1434 Copenhagen K, Denmark and its telephone number is +45 70331414. LP is registered with the Danish Business Authority (*Erhvervsstyrelsen*) under company registration number (CVR) 35862048.

LP Board of Directors

The board of directors of LP (the "**LP Board**") currently comprises three directors. All of the members of the LP Board are considered independent under the Recommendations on Corporate Governance of the Danish Committee on Corporate Governance issued in May 2013 and amended on November 2014 and 2017 (the "**Corporate Governance Recommendations**"). The LP Board is responsible for managing LP in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the LP Board is to carry out the business of LP and to legally represent LP in its dealings with third parties. The following table sets forth the name, age and title of the current members of the LP Board. After the consummation of the Transactions, we may appoint additional or different directors to the LP Board, although the revised composition of the LP Board has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
John Crostarosa Mowinckel	68	Chairman
Mario Balestrazzi	30	Board member
Søren Mygind Eskildsen	46	Board member

The following is biographical information for each LP Board member:

John Crostarosa Mowinckel. Mr. Mowinckel is the Chairman of BI Invest Luxembourg and joined Investindustrial in 1994. Mr. Mowinckel was previously responsible for the Firm's business development activities in North and South America. Mr. Mowinckel was a director at David Brown from 1990 to 1998. From 1990 to 1992, he was managing director of First National Bank of Chicago's European corporate finance activity from London, which Mr. Mowinckel established following a 17 year career with Bankers Trust Company in various assignments in New York, Milan and London. Mr. Mowinckel received a Bachelor degree in foreign affairs from the University of Virginia.

Mario Balestrazzi. Mr. Balestrazzi joined Investindustrial advisory group in May 2016. Prior to that, Mr. Balestrazzi worked at Rothschild & Co, where he was an associate in the mergers and acquisitions financial advisory department in Milan. Mr. Balestrazzi received a Master degree in Corporate Finance, Accounting and Control from the Università L. Bocconi.

Søren Mygind Eskildsen. Mr. Eskildsen was appointed Chief Executive Officer of LP in 2017. Mr. Eskildsen brings to LP several years of executive experience, having previously served as Chief Executive Officer of LOGSTOR, Ventilation Holdings ApS, Exhausto and System TM. Mr. Eskildsen began his career at Danfoss, a global business providing components and solutions for industrial heating and cooling, automation and power systems, in 1998 and served in several managerial roles, ultimately becoming Vice President. Mr. Eskildsen received a Bachelor in Science in Engineering from the University of Southern Denmark and an Executive MBA in Change Management from Aarhus Business School.

LP Senior Management

The following table sets forth the name, age and title of the current senior management of LP. After the consummation of the Transactions, we may appoint additional or different senior managers of LP, although this has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Søren Mygind Eskildsen	46	Chief Executive Officer
Peter le Fèvre	53	Chief Financial Officer
Peter Rathsach	57	Chief Strategy Officer
David Obel Rosenkvist	48	Director of Brand & Communication

The following is biographical information for each senior manager of LP:

Søren Mygind Eskildsen. See "*—LP Board of Directors*".

Peter le Fèvre. Mr. le Fèvre was appointed Chief Financial Officer in 2015. Prior to joining LP, Mr. le Fèvre served as Chief Financial Officer of TCM Group as well as Chief Executive Officer for one of its subsidiaries from 2008 to 2014, and as temporary Chief Executive Officer and Chief Financial Officer of Bodilsen from 2005 to 2007 and 2007 to 2008, respectively. Mr. le Fèvre has over 30 years of experience in financial, managerial and accounting roles from various companies such as Mars, Masterfoods Scandinavia and Deloitte. Mr. le Fèvre received a Bachelor's degree in Economics and Business Administration and a Master's degree from the Copenhagen Business School. Mr. le Fèvre is also a State Authorized Public Accountant.

Peter Rathsach. Mr. Rathsach was appointed Chief Strategy Officer in 2015 and was member of the LP Board from 2014 to 2015. Prior to joining LP, Mr. Rathsach served as Executive Vice President of Sales and Brand Management at Fritz Hansen from 2004 to 2014. Mr. Rathsach has over 25 years of experience in sales, marketing and general management from various companies such as Noa, Carli Gry and Inwear Group. Mr. Rathsach received a Master's degree in Economics and Business Administration from Copenhagen Business School.

David Obel Rosenkvist. Mr. Rosenkvist was appointed Director of Brand & Communication in 2016. Mr. Rosenkvist has over 20 years of experience in executive management, sales and brand management roles, having previously served as Chief Executive Officer of Rud. Rasmussen, Vice President of North America and Vice President of Brand & Communication at Fritz Hansen and Director, Partner and Group Account Director at Kunde & Co., a leading strategic marketing company in Scandinavia. Mr. Rosenkvist received a Bachelor's degree in International Marketing from Hillerød Business School and a Graduate Diploma in Business Administration and Marketing Management from Copenhagen Business School.

LP Compensation

In 2017, the aggregate cash compensation and other benefits paid to members of the LP Board and to LP's senior management amounted to €8.0 million.

B&B

B&B is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy. B&B's registered office is at Via Durini 14, 20122 Milan, Italy. B&B is registered with the Companies Register of Milan-Monza Brianza-Lodi under registration number and fiscal code 07122350965.

B&B Board of Directors

The board of directors of B&B (the "**B&B Board**") currently comprises nine directors. The B&B Board is responsible for managing B&B in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the B&B Board is to carry out the business of B&B and to legally represent B&B in its dealings with third parties. The following table sets forth the name, age and position of the current members of the B&B Board. After the consummation of the Transactions, we may appoint additional or different directors to the B&B Board, although the revised composition of the B&B Board has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Giorgio Busnelli	66	Chairman, Director
Armin Broger	57	Executive Director
Dante Razzano	70	Non-Executive Director
Gabriele Del Torchio	67	Non-Executive Director
Alessandro Fogo	43	Non-Executive Director
Rolando Gorla	69	Non-Executive Director
Antonio Citterio	68	Non-Executive Director
Maurizio Bottinelli	52	Non-Executive Director
Chiara Palmieri	47	Non-Executive Director

The following is biographical information for each B&B Board member:

Giorgio Busnelli. Mr. Busnelli has been the Chairman of B&B since 2003. After a diploma in accountancy and studies in industrial design, Mr. Busnelli attended courses and workshops in marketing and strategy at the School of Management of Università Bocconi. Mr. Busnelli joined B&B in 1973 when he started as assistant to the Product Manager, he then went on with the firm and became the CEO of B&B Italia for three years, from 2000 to 2003.

Armin Broger. Mr. Broger has been serving as CEO of B&B since March 2018. During his 30 year career in the fashion industry and entertainment Mr. Broger served as General Manager at Worldwide Diesel SpA, COO at Tommy Hilfiger, President EMEA of Levi Strauss, and most recently as Chief Executive Officer of McGregor Fashion Group. Mr. Broger started his career at Bain and Company and at the Walt Disney Company in various senior management functions. Mr. Broger holds a Business Degree from Cà Foscari University and an MBA from the University of Notre Dame.

Dante Razzano. Mr. Razzano is a member of the B&B's Board of Directors. Mr. Razzano is a Non-Executive Director of Aston Martin Lagonda Global Holdings plc. Mr. Razzano has been director within the Group since April 2013. Mr. Razzano joined Investindustrial private equity in January 2004 following a 33-year investment banking career. From 1992 to 2003 he was a group director of Morgan Grenfell (later Deutsche Morgan Grenfell) and established both the investment banking business and private equity business in Italy.

Gabriele Del Torchio. Mr. Del Torchio is an industrial advisor at Investindustrial. Mr. Del Torchio was the Chief Executive Office of Il Sole 24 Ore in 2016 and Alitalia from 2013 to 2014. Mr. Del Torchio is currently a board member of OVS, Tecnica and Tod's.

Alessandro Fogo. See "*—Flos—Flos Board of Directors*".

Rolando Gorla. Mr. Gorla joined B&B in 1973 and is since 2000 the Research and Development Director of the company. Mr. Gorla holds a Master in of arts from the Istituto Statale d'Arte di Cantù.

Antonio Citterio. Mr. Citterio is the Sole Director of Citterio-Viel & Partners S.r.l. (founded in 2000) and Citterio-Viel & Partners Interiors S.r.l. (Founded in 2012), two cross-disciplinary design companies based in Milan, which Mr. Citterio co-founded. Mr. Citterio currently works in the industrial design sector with many Italian and foreign brands, including Ansorg, Arclinea, Axor-Hansgrohe, B&B Italia, Flexform, Flos, Hermès, Kartell, Maxalto, Sanitec, Technogym and Vitna.

Maurizio Bottinelli. *See "—Flos Board of Directors".*

Chiara Palmieri. Ms. Palmieri has become a board member of B&B in 2018. Ms. Palmieri is also a board member of Italmobiliare SpA and Snaitech Spa since 2017 and 2013 respectively. Prior to that, Ms. Palmieri has served as Executive Member of the Private Wealth Management International Management Committee at Goldman Sachs. Ms. Palmieri graduated from Università L. Bocconi in 1994 and then received her Master in Management HEC Paris.

B&B Senior Management

The following table sets forth the name, age and position of the current senior management of B&B. After the consummation of the Transactions, we may appoint additional or different senior managers of B&B, although this has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Armin Broger	57	Chief Executive Officer
Paola Centemero	57	Chief Financial Officer
Lucia Nadal	44	Brand Director (B&B and Maxalto)
Rolando Gorla	69	Head of Research and Development

The following is biographical information for each senior manager of B&B:

Armin Broger. See "*—B&B Board of Directors*".

Paola Centemero. Paola Centemero has served as Chief Financial Officer of B&B since 2003. Ms. Centemero has over 30 years of experience in financial roles at large international companies, including serving as CFO of Valentino S.p.A., controller of PRADA Group and finance manager at Sara Lee D.E. Italy S.p.A. Ms. Centemero holds a bachelor's degree in business economics from Università L. Bocconi, with a specialization in administration and control.

Lucia Nadal. Lucia Nadal has served as Marketing Manager of B&B since 2004. Prior to joining B&B, Ms. Nadal was a consultant for four years at Bain & Company. Ms. Nadal holds a bachelor degree in business administration from Università L. Bocconi.

Rolando Gorla. See "*—B&B Board of Directors*".

Compensation

In 2017, the aggregate cash compensation paid to members of the B&B Board amounted to €1.9 million.

B&B Board of Statutory Auditors

Pursuant to Italian law, B&B has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee B&B's compliance with applicable law and with B&B's bylaws, monitor the implementation of best practices, and assess the adequacy of the internal controls and accounting reporting systems at B&B, as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors of B&B. The following table sets forth the name, age and position of the members of the board of statutory auditors of B&B. They will remain in office until approval by the B&B shareholders of the B&B financial statements for the year ended December 31, 2018. After the consummation of the Transactions, we may appoint additional or different auditors to the board of statutory auditors of B&B, although the revised composition of the board of statutory auditors of B&B has not yet been determined as of the date of this Offering Memorandum.

Name	Age	Position
Mara Vanzetta	51	Chair
Giovanni Tedeschi	64	Auditor
Maurizio Maffeis	79	Auditor
Carlotta Veneziani	37	Alternate Auditor
Giovanna Canta	48	Alternate Auditor

PRINCIPAL SHAREHOLDERS

Funds advised by Investindustrial and Carlyle indirectly own (through wholly owned intermediate holding companies) the entire share capital of the Issuer in equal percentages. The Sponsors expect to allocate a portion of the share capital of Design Holding, currently expected to be in the range of 5% to 10% of the relevant share capital, for equity investments by certain members of our senior management team. The Sponsors expect to enter into investment agreements with those members of our senior management team that will make such investments indirectly in the equity of the Issuer. The Sponsors also expect that equity investments held indirectly in the Issuer by certain members of our senior management team may carry voting rights.

Shareholders Agreement

We expect that certain affiliates of Carlyle and Investindustrial will enter into a shareholders' agreement on or about the Completion Date (the "**Shareholders Agreement**"). The Shareholders Agreement will govern, among other things, the relationship between Investindustrial and Carlyle with respect to their interests in the direct parent of Design Holding ("**Lux SPV**"), Design Holding and its subsidiaries, including the Issuer, the Targets and the rest of the Group. The Shareholders Agreement will provide for equal governance rights, whereby each of Carlyle and Investindustrial will have the right to appoint an equal number of directors to each of the boards of Lux SPV and International Design Holding. The Shareholders Agreement will also set forth a procedure for Carlyle and Investindustrial to follow in connection with the joint appointment of the Chief Executive Officer and the Chairman of the board of Design Holding. The board of Design Holding will have discretion to manage and control the business of the Group as it deems necessary or appropriate. All significant actions to be taken by the Group will require approval of the board of directors of Design Holding, which approval must include the favorable vote of at least one director designated by Carlyle and one by Investindustrial. If a matter is not approved by the board of directors due to a deadlock that is not solved through the procedure set forth in the Shareholders Agreement, the relevant resolution shall not be adopted. Similar procedures and provisions apply to the decisions of the board of Lux SPV.

Subject to a minimum investment multiple being met and following a certain period of time, in case of an unsolicited offer, either of Carlyle and Investindustrial will be entitled to sell and require the other shareholders to sell all of the share capital of Design Holding or Lux SPV. Following a minimum lock-up period, either party will have the right to sell the entire share capital of Lux SPV or Design Holding through a joint sale procedure set out in the Shareholders Agreement or an initial public offering and, if such sale occurs before a certain period of time has expired, subject to a minimum investment multiple being met. The agreement also provides for the right of each of Carlyle and Investindustrial to cause an initial public offering of Design Holding or another affiliated entity after a certain period of time has expired, with the other party being entitled to participate in such an initial public offering. The Shareholders Agreement contains other customary provisions regarding confidentiality, tax matters, indemnity, information rights and cooperation. It is currently expected that management investing in equity interests of Design Holding will enter into a separate shareholders' agreement with Carlyle and Investindustrial setting forth the terms and conditions of their relationship as shareholders of Design Holding and the transfer regime of the shares held by them.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

Management Incentive Plan

Following the Acquisitions, a management incentive participation program will be implemented pursuant to which management may receive a portion of their compensation in the form of, among other instruments, stock or stock options. The exact terms of the management incentive participation program will be determined following the Completion Date.

Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we will maintain D&O insurance for the entire Group.

Consulting Services

Upon completion of the Acquisitions, we may enter into a consulting services agreement with the Sponsors pursuant to which we may pay, if at all, amounts up to approximately €2.5 million per year. Under the terms of the Indenture, we will be permitted to pay amounts to the Sponsors in respect of such agreement plus other amounts permitted under the Indenture for annual management, consulting, monitoring or advisory fees and related expenses. See "*Description of Notes*".

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. For further information regarding our existing indebtedness, see "Use of Proceeds", "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Description of Other Financial Arrangements

The following contains a summary of the material provisions of our Revolving Credit Facility and the Intercreditor Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents.

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Revolving Credit Facility Agreement

Overview and structure

On or about the date of this Offering Memorandum, the Issuer as original borrower, and among others, J.P. Morgan Securities PLC, UniCredit S.p.A., Goldman Sachs International, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc and Natixis S.A.—Milan Branch, as arrangers (together the "**Arrangers**"), and UniCredit S.p.A., as RCF Agent and Security Agent, will enter into the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €100 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the Revolving Credit Facility Agreement in euros or certain other currencies by the drawing of cash advances or, subject to the appointment of an Issuing Bank, the issue of letters of credit and/or bank guarantees and by way of Ancillary Facilities (capitalized terms used in this sentence that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used towards financing or refinancing the general corporate and working capital purposes of the Issuer and its Restricted Subsidiaries, including the financing of acquisitions and other permitted investments and capital expenditure.

Additional facilities

The Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum amount not to exceed (after taking account of the commitments under the Revolving Credit Facility) the amount able to be incurred under paragraph (a) of the second paragraph of the covenant described under "*Description of the Notes-Certain Covenants-Limitation on Indebtedness*", whether as a new facility or commitment, as an additional tranche of any existing facility or by increasing the commitments under an existing facility in all respects. Such additional facilities shall be secured and shall rank *pari passu* with the Revolving Credit Facility. The lenders of any such additional facilities, if not already lenders under the Revolving Credit Facility Agreement, shall be required to accede to the Revolving Credit Facility Agreement and shall have the benefit of the guarantees and Transaction Security (as defined in the Revolving Credit Facility Agreement). The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the Revolving Credit Facility unless the maturity date of the Revolving Credit Facility is amended to match that of the additional facility.

Availability

The Revolving Credit Facility may, subject to satisfaction of customary conditions precedent, be utilized from the Issue Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Maturity and repayment requirements

The Revolving Credit Facility matures on the date falling six months prior to the final maturity date of the Notes. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility.

Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Interest rate and fees

The interest rate on cash advances under the Revolving Credit Facility will be the percentage rate per annum equal to the aggregate of the applicable margin and applicable LIBOR, EURIBOR, CIBOR, NIBOR or STIBOR (subject, in each case, to a zero floor). The interest rate will also be subject to the provisions of Italian law of 7 March 1996 No. 108 *(Disposizioni in materia di usura*), as subsequently amended and supplemented, and any related implementing regulations, such that if the interest (including default interest) payable by a borrower under the Revolving Credit Facility along with any fee or cost or other payments due to the finance parties thereunder, exceeds the maximum rate permitted by such law, the relevant interest rate or default rate shall automatically reduce to the maximum rate permitted to be payable under such laws and related implementing regulations. The initial margin under the Revolving Credit Facility will be 3.25% per annum, subject to a margin ratchet pursuant to which the margin on the loans will be reduced if certain leverage ratio thresholds are met.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility from (and including) the Issue Date to (and including) the last day of the availability period for the Revolving Credit Facility at a rate of 30% of the then applicable margin for the Revolving Credit Facility. The commitment fee will be payable quarterly in arrears during the availability period, on the last day of the availability period and on the date on which a lender's commitment under the Revolving Credit Facility is cancelled. No commitment fee shall be payable unless the Issue Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay an arrangement fee and customary agency fees to the Facility Agent and the Security Agent in connection with the Revolving Credit Facility. Customary fees are also payable in respect of any fronted letters of credit issued by an issuing bank.

Guarantees

The Issuer is an original guarantor under the Revolving Credit Facility Agreement (the "**Original Guarantor**"). The Original Guarantor will, subject to any agreed limitation language, provide a senior guarantee of all amounts payable to the Finance Parties (as defined in the Revolving Credit Facility Agreement) by any of the Issuer's Restricted Subsidiaries which accedes to the Revolving Credit Facility Agreement as an additional borrower or an additional guarantor.

The Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles set out in the Revolving Credit Facility), on the date which is 90 days from the Issue Date (or such later date as the Facility Agent may agree) and on the date when the Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered, the aggregate earnings before interest, tax, depreciation and amortization of the guarantors is equal to at least 80% of the Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Group (as defined in the Revolving Credit Facility Agreement) (the "**Guarantor**

Coverage Test"). The Issuer shall ensure that, if the Guarantor Coverage Test is not satisfied on the date when the Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered to the Facility Agent, within 90 days of such relevant test date, such other Restricted Subsidiaries of the Issuer (subject to the Agreed Security Principles set out in the Revolving Credit Facility) become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors for the purposes of the relevant test and provided that the Guarantor Coverage Test is satisfied within such time period, no default or event of default under the Revolving Credit Facility Agreement or other breach of the Finance Documents (as defined in the Revolving Credit Facility Agreement) shall arise in respect thereof).

The Revolving Credit Facility Agreement also requires that (subject to the Agreed Security Principles set out in the Revolving Credit Facility), on the date which is 90 days from the Issue Date (or such later date as the Facility Agent may agree) and on the date when the Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered to the Facility Agent, any Restricted Subsidiary of the Issuer which is a Material Company (as defined in the Revolving Credit Facility Agreement, being a member of the Group which represents 5%. or more of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Group (as defined in the Revolving Credit Facility Agreement)) are required (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) to accede as a guarantor by such time, provided that if such requirement have not been satisfied on any date when the Annual Financial Statements (as defined in the Revolving Credit Facility Agreement) are required to be delivered to the Facility Agent, within 90 days of such test date, each Material Company (as defined in the Revolving Credit Facility Agreement) shall (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) become guarantors and if such requirements are satisfied within such time period, no default or event of default under the Revolving Credit Facility Agreement or other breach of the Finance Documents (as defined in the Revolving Credit Facility Agreement) shall arise in respect thereof.

Security

The Revolving Credit Facility (subject to the Agreed Security Principles set out in the Revolving Credit Facility Agreement) will be secured by security over certain assets as further described in the section entitled "*Description of Notes-Security*".

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the security (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the Revolving Credit Facility in priority to the Notes.

Representations and warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; and (vi) governing law and enforcement.

Covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the Revolving Credit Facility Agreement also contains certain affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative covenants

The affirmative covenants include, among others: (i) authorizations and consents, (ii) a *pari passu* covenant; (iii) compliance with laws; (iv) maintenance of Guarantor Coverage Test; (v) further

assurance; (vi) preservation of assets; (vii) insurance; (viii) maintenance of material intellectual property; (ix) funding of pension schemes provisions; (x) centre of main interests and establishments; (xi) sanctions/anti-corruption; (xii) acquisition of Targets; (xiii) notification of default; and (xiv) compliance certificates.

Negative covenants

The negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Senior Secured Notes Indenture.

Mandatory prepayment requirements upon a Change of Control

The Issuer is required to notify the Facility Agent under the Revolving Credit Facility Agreement of a Change of Control (as defined in the Revolving Credit Facility Agreement), following which each lender under the Revolving Credit Facility Agreement is entitled to require, by written notice to the Issuer, repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Notwithstanding the foregoing, any Ancillary Lender or, as the case may be, Issuing Bank may, as between itself and the relevant member of the Group, agree to continue to provide such Ancillary Facility or, as the case may be, Letter(s) of Credit (with such arrangements continuing on a bilateral basis and not as part of, or under, the Finance Documents and the Transaction Security shall not, following release by the Security Agent, secure any such Letter(s) of Credit or Ancillary Facility in respect of any claims that arise after such cancellation). Capitalized terms used in this paragraph that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement.

Financial covenants

The Revolving Credit Facility Agreement also requires the Issuer to comply with a springing super senior net leverage ratio covenant, being a ratio of Consolidated Net Super Senior Indebtedness to Consolidated EBITDA of 2.50:1 (the "**Financial Covenant**"). The Financial Covenant will only be tested on the last day of the third complete financial quarter from the Issue Date and/or on the last date of each financial quarter occurring thereafter (each such date being a "**Test Date**") and only if, on such date, the aggregate outstanding principal amount of all loans under the Revolving Credit Facility (excluding non-fungible additional commitments and utilizations in respect thereof, utilizations made on the Issue Date and Ancillary Facilities under the Revolving Credit Facility, and utilizations by way of letters of credit (or bank guarantees)), less the aggregate amount of all cash and cash equivalents held by the Group, exceeds 40% of the total commitments of the Revolving Credit Facility (excluding non-fungible additional commitments in respect thereof) as at such date (the "***Test Condition***"). Capitalized terms used in this paragraph that are not otherwise defined in this Offering Memorandum have the meaning ascribed to them in the Revolving Credit Facility Agreement.

A failure to comply with the Financial Covenant when tested shall not (or be deemed to) directly or indirectly constitute, or result in, a breach of any representation, warranty, undertaking or other term in the finance documents related to the Revolving Credit Facility or any default or event of default under the Revolving Credit Facility Agreement, and shall be relevant solely for the purposes of being a condition to the drawing of new utilisations under the Revolving Credit Facility (and new utilisations for these purposes, do not include rollover utilisations).

The Revolving Credit Facility Agreement contains an equity cure provision enabling, within the 20 business day period following the date on which each quarterly or annual financial statements of the Group are required to be delivered to the Facility Agent, or at any time prior to such date: (i) the borrowers of the Revolving Credit Facility to repay sufficient utilisations thereunder such that the Test Condition is no longer met (and the Test Condition shall then be deemed not to have been met on the applicable Test Date); or (ii) the net cash proceeds of New Shareholder Injection received by the Issuer to be included in the calculation of Consolidated EBITDA on such Test Date and the next three successive Test Dates solely for the purposes of determining compliance with the Financial Covenant; provided that (x) there shall be no more than two New

Shareholder Injections in any financial year; (y) there shall be no more than five New Shareholder Injections during the life of the Revolving Credit Facility; and (z) such New Shareholder Injections shall otherwise be disregarded for purposes of determining any financial ratio-based conditions, pricing or any baskets with respect to the covenants contained in the Revolving Credit Facility Agreement.

Events of default

The Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the Revolving Credit Facility Agreement provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 45 day grace period; (ii) unlawfulness and invalidity; (iii) failure to comply in any material respect with the provisions of, or the material obligations under, the Intercreditor Agreement subject to a 30 day grace period; (iv) repudiation and rescission subject to a 30 day grace period; (v) cessation of business; and (vi) expropriation.

For the period from the date of completion of an Approved Acquisition (including the Acquisition), until the date falling 120 days from such date of completion (the "**Clean-Up Period**") the occurrence of any event of default under the Revolving Credit Facility Agreement (an "**Event of Default**") will be deemed not to be a breach of representation or warranty or a breach of covenant or an Event of Default (as the case may be) if it would have been (but for this provision) a breach of representation or warranty or a breach of covenant or an Event of Default provided that such breach or Event of Default: (i) is capable of being remedied within the Clean-Up Period and the Issuer is taking appropriate steps to remedy such breach or Event of Default; (ii) does not have a Material Adverse Effect (as defined in the Revolving Credit Facility Agreement); and (iii) was not procured or approved by the Issuer. If the relevant circumstances are continuing after the expiry of the Clean-Up Period, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be (and without prejudice to any rights and remedies of the Finance Parties (as defined in the Revolving Credit Facility Agreement)).

Intercreditor Agreement

Intercreditor Agreement

To establish the relative rights of (i) the Super Senior Creditors (as defined below), the Senior Secured Creditors (as defined below) and the Future Senior Subordinated Creditors (as defined below), (ii) the Company, the Issuer, the Guarantor, any future Guarantors in respect of the Senior Secured Notes and any obligor in respect of the Revolving Credit Facility, any other Credit Facility (as defined below), Future Pari Passu Debt (as defined below) and Future Senior Subordinated Debt (as defined below) (collectively, the "**Debtors**"), (iii) the Intragroup Lenders (as defined below) and (iv) the Shareholder Creditors (as defined below), an intercreditor agreement will be entered into on or about the Issue Date.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Senior Secured Notes Trustee to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility, the Senior Secured Notes Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Capitalized terms used and not defined herein shall have the meaning given to them in the Intercreditor Agreement.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Company and certain of its subsidiaries, including the Issuer, in respect of Credit Facility Liabilities (as defined below), the Senior Secured Note Liabilities (as defined below), Future Pari Passu Debt (as defined below), the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), Future Senior Subordinated Debt (as defined below), the Intra-Group Liabilities (as defined below) and the Shareholder Debt Liabilities (as defined below);
- the relative ranking of certain security granted by certain members of the Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken, including in respect of the Transaction Security (as defined below);
- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turnover amounts received from enforcement of the Transaction Security;
- when the Transaction Security and any guarantee(s) issued by certain Debtors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security and other amounts received by the Security Agent.

Parties

The super senior creditors (together the "**Super Senior Creditors**") will include, among others, the agent under the Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the Revolving Credit Facility (the "**RCF Lenders**") and issuing banks and ancillary lenders under the Revolving Credit Facility and the senior secured creditors (together the "**Senior Secured Creditors**") will include, among others, the Senior Secured Notes Trustee for the holders of the Senior Secured Notes and the holders of the Senior Secured Notes. The Intercreditor Agreement will also allow for accession by creditors of future loan or bond indebtedness incurred by the Debtors (which is permitted by or not restricted under the terms of the finance documents governing the Credit Facilities (as defined below), the Senior Secured Notes, the Future Pari Passu Debt (as defined below) and the Future Senior Subordinated Debt (as defined below)), including any credit facility permitted to share in the Transaction Security and rank senior to the Senior Secured Notes Liabilities and Future Pari Passu Debt Liabilities (as defined below) with respect to the proceeds of any enforcement of Transaction Security (such credit facilities together with the Revolving Credit Facility, the "**Credit Facilities**"), any senior secured notes issued after the Issue Date pursuant to the Senior Secured Notes Indenture ("**Additional Senior Secured Notes**") or other indebtedness permitted to be incurred on a *pari passu* basis to share in the relevant security shared by the Senior Secured Notes Creditors (the "**Future Pari Passu Debt**"), hedge counterparties (the "**Super Senior Hedge Counterparties**") party to interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis with

respect to the proceeds of any enforcement of Transaction Security (the "**Super Senior Hedging Agreements**") and hedge counterparties (the "**Non-Priority Hedge Counterparties**" and, together with the Super Senior Hedge Counterparties the "**Hedge Counterparties**") party to interest rate hedging agreements or foreign exchange and certain other hedging agreements which are permitted to be secured on a *pari passu* basis (the "**Pari Passu Hedging Agreements**", and together with the Super Senior Hedging Agreements, the "**Hedging Agreements**"). Finance parties under any Credit Facilities (the "**Credit Facility Creditors**") and Super Senior Hedge Counterparties are also Super Senior Creditors (all Liabilities owing to such parties under the Credit Facilities and the Super Senior Hedging Agreement, the "**Super Senior Liabilities**"). Holders of Future Pari Passu Debt and the Non-Priority Hedge Counterparties are also Senior Secured Creditors (and all Liabilities owing to the Senior Secured Creditors in respect of the Senior Secured Notes, the Pari Passu Hedging Agreements, the Future Pari Passu Debt, together with the Super Senior Liabilities, the "**Senior Secured Liabilities**", and the Super Senior Creditors and Senior Secured Creditors are together, the "**Priority Secured Creditors**").

The Intercreditor Agreement will also allow for accession by creditors of future indebtedness of Design Holdings S.p.A. ("**Holdco**") and/or the Debtors (which is permitted by the terms of the finance documents relating to debt owing to Super Senior Creditors (other than the Super Senior Hedge Counterparties) and to the Senior Secured Creditors as senior secured creditors (the "**Senior Secured Debt**") and the Future Senior Subordinated Debt (as defined below)) and provided that such future indebtedness complies with agreed parameters (if any) for the relevant class of such future indebtedness. Any such future indebtedness that is subordinated to the Senior Secured Debt and complies with agreed parameters (if any) for senior subordinated debt shall be "**Future Senior Subordinated Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Senior Subordinated Debt are "**Future Senior Subordinated Creditors**". There will be a single Security Agent appointed to act at all times on behalf of all Senior Secured Creditors and Future Senior Subordinated Creditors.

Neither the Company nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favour of the Credit Facility Creditors, the Senior Secured Creditors or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any person that elects to become party to the Intercreditor Agreement as a Shareholder Creditor (each a "**Shareholder Subordinated Lender**" and together with Holdco, the "**Shareholder Creditors**") (and the Intercreditor Agreement will contain subordination provisions and restrictions relating to the receivables owing from any member of the Group to any Shareholder Creditor (the "**Shareholder Debt Liabilities**")), (ii) Holdco in respect of any existing or future proceeds loan made by Holdco to a member of the Group in respect of the proceeds of any Future Senior Subordinated Liabilities of Holdco in its capacity as principal debtor ("**Shareholder (Proceeds Loan) Liability**"), and (iii) subject to certain exceptions, certain Debtors that lend to a Debtor or another member of the Group (each an "**Intragroup Lender**") that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Debtor or member of the Group to such lending Debtor in respect of intra-group loans (other than cash pooling arrangements entered into in the ordinary course of business with any Debtor and loans of less than €25 million or loans outstanding for less than 90 days) (the "**Intra-Group Liabilities**"). The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an Acceleration Event under any Secured Debt Document is continuing.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the Liabilities, as the case may be, in respect of the Credit Facilities (the "**Credit Facility Liabilities**"), the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), the Future Pari Passu Debt (the "**Future Pari Passu Debt Liabilities**"), the amounts owing to the Super Senior Hedge Counterparties under the Super Senior Hedging

Agreements (the "**Super Senior Hedging Liabilities**") and the amounts owing to the Non-Priority Hedge Counterparties under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**") and certain costs and expenses of the Senior Secured Notes Trustee (the "**Senior Secured Trustee Liabilities**") will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of Holdco and/or the Debtors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Debt Liabilities**"), Shareholder (Proceeds Loan) Liabilities, Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceeds Loan) Liabilities).

The Future Senior Subordinated Debt Liabilities will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities. The Shareholder (Proceeds Loan) Liabilities will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceeds Loan) Liabilities).

Other than as provided in the Intercreditor Agreement (including as specified above), the Intercreditor Agreement will not rank any liabilities and/or obligations under the Debt Documents owed by Holdco to any Creditor.

Priority of Security

The Intercreditor Agreement shall provide that the Transaction Security (as defined below) shall rank and secure the following Liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

- first, the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Debt Liabilities, Senior Secured Trustee Liabilities and the Pari Passu Hedging Liabilities, *pari passu*, and without preference between them (but only to the extent the relevant Transaction Security is expressed to secure those Liabilities); and
- second, the Future Senior Subordinated Debt Liabilities (but only to the extent the relevant Transaction Security is expressed to secure these Liabilities).

If security is to be granted for a Credit Facility (other than the Revolving Credit Facility) then, to the extent such Credit Facility cannot be secured on a *pari passu* basis with the Liabilities owing by the Debtors to the finance parties under the Revolving Credit Facility (the "**RCF Liabilities**") without existing security first being released, the Parties agree that such Credit Facility will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser- ranking basis and such Credit Facility will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with the RCF Liabilities which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Credit Facility shall be applied in the same manner and order as the RCF Liabilities. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Pari Passu Debt then, to the extent such Future Pari Passu Debt cannot be secured on a *pari passu* basis with the Senior Secured Debt without existing security first being released, the Parties agree that such Future Pari Passu Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser-ranking basis and such Future Pari Passu Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with Senior Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred

to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Senior Subordinated Debt then, to the extent such Future Senior Subordinated Debt cannot be secured on a subordinated basis with the Senior Secured Debt and/or on a *pari passu* basis with other Future Senior Subordinated Debt without existing security first being released, the Parties agree that such Future Senior Subordinated Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Senior Subordinated Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Senior Subordinated Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

Any guarantees or security to be provided by (or over the shares or assets of) the Company or a Restricted Subsidiary of the Company in respect of the Future Senior Subordinated Debt shall be given on a subordinated basis and shall not be given if such entity has not also given, or does not also give, a corresponding guarantee or security in relation to the Senior Secured Debt, and shall only be given to the extent permitted or not prohibited by the finance documents governing the Credit Facilities, the Senior Secured Notes and the Intercreditor Agreement.

Payments and Prepayments; Subordination of the Future Senior Subordinated Debt

The Debtors may make payments and prepayments in respect of the Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Senior Secured Notes Liabilities and Future Pari Passu Debt Liabilities at any time in accordance with their terms until an Acceleration Event has occurred.

Following the occurrence of an Acceleration Event or an Insolvency Event, no member of the Group may make the payments described above except from the proceeds of any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to the Agreed Security Principles, given to all the Priority Secured Parties in respect of their Liabilities (such guarantees, indemnities or other assurances, being the "**Shared Assurances**") or enforcement of security or recoveries distributed in accordance with the section on Application of Proceeds/Waterfall below or as otherwise agreed by the representatives for the Credit Facility Creditors (including the Senior Agent, and each a "**Credit Facility Agent**"), the Senior Secured Notes Trustee and any relevant representative of any Future Pari Passu Debt (each a "**Future Pari Passu Debt Representative**") subject to certain provisos (the "**Payment Block**").

At any time following an Acceleration Event, if the Majority Super Senior Creditors (as defined below) constitute the Instructing Group (as defined below), the Credit Facility Agent may deliver a Payment Block Suspension Notice to the Security Agent which suspends the Payment Block. Only one Payment Block Suspension Notice may be delivered during the life of any Credit Facility.

Holdco may make payments and prepayments in respect of Future Senior Subordinated Creditors in respect of any Future Senior Subordinated Holdco Liabilities at any time.

Prior to the discharge of all Senior Secured Liabilities (the "**Senior Secured Debt Discharge Date**"), neither the Issuer nor any member of the Group may make payments in respect of the

Future Senior Subordinated Debt Liabilities without the consent of (to the extent prohibited under the relevant documents) the Credit Facility Agent, the Senior Secured Notes Trustee and each Future Pari Passu Debt Representative except for, among others, the following:

(1) if:

(a) the payment is of:

(i) any of the principal or interest (including capitalized interest) amount of the Future Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by the Credit Facility finance document, the Senior Secured Notes Indenture or any Future Pari Passu Debt finance document (or, to the extent prohibited, the required consent of the relevant creditors under the relevant finance documents has been obtained for any such payment) or (2) is paid on or after the final maturity of the Future Senior Subordinated Debt Liabilities (provided that such maturity is not earlier than that contained in the documents evidencing the Future Senior Subordinated Debt Liabilities as of the first date of incurrence of such Future Senior Subordinated Debt Liabilities); or

(ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities and amount in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt,

or, in each case, a corresponding amount of Shareholder (Proceeds Loan) Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the Revolving Credit Facility (or substantially equivalent provision of any other Credit Facility) and no payment default of €500,000 (or its equivalent in other currencies) or more in respect of the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities is continuing (a "**Senior Payment Default**"); or

(2) the Majority Super Senior Creditors (as defined below) and the Majority Senior Secured Creditors (as defined below) gives prior consent to that payment being made;

(3) properly incurred costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt finance documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated Debt finance documents);

(4) properly incurred costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Credit Facility finance documents, the Senior Secured Notes Indenture and any Future Pari Passu Debt finance document;

(5) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain costs and expenses payable to the Future Senior Subordinated Debt Representative;

(6) if the payment is funded directly or indirectly with Future Senior Subordinated Debt;

(7) if the payment is funded directly or indirectly with an amount which a member of the Group is permitted by the terms of the Credit Facility finance documents, Senior Secured Notes Indenture or any Future Pari Passu Debt finance documents to pay to any person holding a direct or indirect interest in the Company; or

(8) if any other amount not exceeding €5,000,000 (or its equivalent) in any financial year of the Company.

Prior to the Senior Secured Debt Discharge Date, payments in respect of the Future Senior Subordinated Debt Liabilities (other than those consented to by the Majority Super Senior Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) and certain specified exceptions) are suspended if:

(1) a Senior Payment Default has occurred and is continuing; or

(2) if an Event of Default under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") (other than a Senior Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent, the Senior Secured Notes Trustee or the Future Pari Passu Debt Representative (as the case may be) (the "**Relevant Representative**") delivers a Payment Blockage Notice specifying the event or circumstances in relation to that Senior Default to the Issuer, the Security Agent and the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") until the earliest of:

   (a) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

   (b) the date falling 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

   (c) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which that Standstill Period expires;

   (d) the date on which the relevant Senior Default is no longer continuing and if the Senior Secured Liabilities have been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

   (e) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time a Senior Default is continuing (other than in relation to the Senior Secured Debt in respect of which the notice was given) the Relevant Representative in respect of that other Senior Secured Debt) notifies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

   (f) the Senior Secured Debt Discharge Date; and

   (g) the date on which the Security Agent or Future Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing, the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Senior Subordinated Debt and if it does so promptly any Event of Default which may have occurred under the Future Senior Subordinated Debt as a result of that suspension of payment shall be waived and any Future Senior Subordinated Debt Enforcement Notice (as defined below) which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Future Senior Subordinated Creditors. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill

Until the Senior Secured Debt Discharge Date, neither the Future Senior Subordinated Debt Representative nor the holders of the Future Senior Subordinated Debt may take any Enforcement Action with respect to the Future Senior Subordinated Debt (including any action against the Company or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security Document without the prior consent of or as required by an Instructing Group (as defined below), except if (1) an Event of Default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at final maturity or (2):

(a) an Event of Default under the Future Senior Subordinated Debt finance documents is continuing;

(b) the Credit Facility Agent, the Senior Secured Notes Trustee and the Future Pari Passu Debt Representative(s) have received notice of the specified Event of Default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant Event of Default is continuing at the end of the Standstill Period,

provided that no such action may be taken if the Security Agent is taking Enforcement Action or acting in accordance with the instructions of the Instructing Group (or another party is taking such action or instructions of the Security Agent under and pursuant to the Intercreditor Agreement) to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

Promptly upon becoming aware of an Event of Default under the Future Senior Subordinated Debt finance documents (and prior to taking any Enforcement Action), the Future Senior Subordinated Debt Representative must by notice (a "**Future Senior Subordinated Debt Enforcement Notice**") in writing notify the Credit Facility Agent, the Senior Secured Notes Trustee and the Future Pari Passu Debt Representative(s) of the existence of such Future Senior Subordinated Debt Event of Default.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves a Future Senior Subordinated Debt Enforcement Notice on the Credit Facility Agent, the Senior Secured Notes Trustee and the Future Pari Passu Debt Representative(s) in respect of the relevant Event of Default under the Future Senior Subordinated Debt finance documents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Security Agent takes Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that if the Standstill Period ends pursuant to the terms in this paragraph, the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same Enforcement Action (and only against the same entity) as is taken by the Security Agent and may not take any other action against any other member of the Holdco Group. Enforcement Action for the purposes of this limb shall not include action taken to preserve or protect Security as opposed to realizing it;

(c) the date on which an insolvency event occurs in respect of a particular Debtor owing any Future Senior Subordinated Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Enforcement by Holders of Secured Debt

Prior to the date upon which all Credit Facility Liabilities are fully discharged and paid in full and the Credit Facilities Lenders are under no further obligation to provide financial accommodation to any of the Debtors under the Credit Facilities (the "**Credit Facility Lender Discharge Date**"), the Security Agent will act on the instructions of (i) the Credit Facility Lenders and the Super Senior Hedge Counterparties whose super senior credit participations represent more than 50% of the aggregate super senior credit participations of all Credit Facility Lenders and such Super Senior Hedge Counterparties and their relevant representatives (the "**Majority Super Senior Creditors**") and the holders of the Senior Secured Notes, the holders of Future Pari Passu Debt and the Non-Priority Hedge Counterparties (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Creditors**"), in each case subject to the Consultation Period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below or (ii) if prior to the Senior Secured Debt Discharge Date, if both the Majority Senior Secured Creditors and the Majority Super Senior Creditors have instructed the Security Agent not to enforce or to cease enforcing the Transaction Security, the Security Agent shall give effect to any instructions to enforce the Transaction Security (to the extent expressed to secure the Future Senior Subordinated Liabilities) which the Future Senior Subordinated Creditors whose aggregate future senior subordinated credit participations represent more than 50% of the aggregate future senior subordinated credit participations of all Future Senior Subordinated Creditors (the "**Majority Future Senior Subordinated Creditors**") are then entitled to give to the Security Agent.

Following the Credit Facility Lender Discharge Date, the Security Agent will act on the instructions of the Majority Senior Secured Creditors.

Following the Senior Secured Debt Discharge Date, the Security Agent shall act on the instructions of the Majority Future Senior Subordinated Creditors.

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a Distressed Disposal and/or the release or disposal of claims or Transaction Security on a Distressed Disposal ("**Enforcement**"), the relevant representatives of such Creditors shall notify the Security Agent and the other creditor representatives for each of the Super Senior Creditors and each of the Senior Secured Creditors that the applicable Transaction Security has become enforceable. As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions with respect to (i) the enforcement of the Transaction Security or (ii) taking of any other Enforcement Action by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Credit Facility Agent (acting on the instructions of the Majority Super Senior Creditors), the Senior Secured Notes Trustee and the Future Pari Passu Debt Representative will consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) (the "**Consultation Period**"), with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy.

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other

Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles set forth below ("**Qualifying Instructions**")) where:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting a Debtor or Holdco; or

(b) the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (each an "**Instructing Group**", provided that (i) with respect to any Enforcement the Instructing Group shall consist of the Majority Super Senior Creditors and the Majority Senior Secured Creditors or (in certain circumstances and subject to certain requirements set out in the Intercreditor Agreement) just the Majority Super Senior Creditors or just the Majority Senior Secured Creditors, (ii) after the Credit Facility Lender Discharge Date the Instructing Group shall be the Majority Senior Secured Creditors and (iii) after the Senior Secured Debt Discharge Date the Instructing Group shall be the Majority Future Senior Subordinated Creditors) determine in good faith (and notifies each other representative of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to (x) reduce the amount likely to be realized to a level such that (following application thereof in accordance with the Payments Waterfall described below) the Super Senior Liabilities would not be discharged in full or (y) have a material adverse effect on the ability to effect an Enforcement or a Distressed Disposal and, in each case, any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or, as the case may be, the Super Senior Creditors, on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting enforcement instructions (and for these purposes failure to give instructions is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation Period (which have not been resolved), the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received from the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the Credit Facility Lender Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period;

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period; or

(c) an insolvency event has occurred with respect to a Debtor or Holdco and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Debtor or Holdco,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Security in a manner which is not

consistent with the Security Enforcement Principles, the creditor representatives for the relevant Super Senior Creditors or the Senior Secured Creditors shall give notice to the creditor representatives for the other Super Senior Creditors and the Senior Secured Notes creditors and Future Pari Passu Debt creditors (as appropriate) after which the creditor representatives for the other Super Senior Creditors and the Senior Secured Notes creditors and the Future Pari Passu Debt creditors shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant creditor representatives may agree) with a view to agreeing the manner of Enforcement provided that such creditor representative shall not be obliged to consult more than once in relation to each Enforcement Action.

The benefit of this section shall be for the Senior Secured Creditors and the Super Senior Creditors only.

Security Enforcement Principles

Unless otherwise agreed between the Majority Super Senior Creditors and the Majority Senior Secured Creditors, enforcement of the Transaction Security must be conducted in accordance with the "**Security Enforcement Principles**", which are summarized as follows:

(a) It shall be the aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery by the Super Senior Creditors, the holders of the Senior Secured Notes, creditors of the Future Pari Passu Debt, the Hedge Counterparties and the creditors of the Future Senior Subordinated Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payments Waterfall) (the "**Security Enforcement Objective**") subject to applicable law.

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, Senior Secured Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below) and, to the extent secured by the Transaction Security, the Future Senior Subordinated Debt Required Holders (as defined below).

(c) Without prejudice to the Security Enforcement Objective the Transaction Security will, subject to applicable law, be enforced such that either (1) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(d) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement and any requirements of applicable law, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to Enforcement will be determined by the Instructing Group (as defined below) provided that it is consistent with the Security Enforcement Objective.

(e) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement or sale is made pursuant to a public auction, a public offering or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a

"**Financial Advisor**") to opine as expert (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(f) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement or any other provision of the Intercreditor Agreement.

(g) The opinion of the Financial Advisor (or an equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(h) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in paragraph (d) above and such Enforcement is conducted by way of public auction, any equity investors of the Group shall be entitled to participate in such auction. Nothing in this principle shall require Enforcement of Transaction Security to take place by way of public auction.

(i) In the absence of written notice from a Creditor or group of Creditors that are not part of the relevant Instructing Group that such Creditor(s) object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(j) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with this Agreement), a Financial Advisor's Opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of meeting the Security Enforcement objective has been met.

Turnover

The Intercreditor Agreement will also provide that if any Primary Creditor (as defined below) receives or recovers the proceeds of any Shared Assurances or any enforcement of any Transaction Security in addition if any Future Senior Subordinated Debt Creditor or Subordinated Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the Payments Waterfall that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent pursuant to the terms of any relevant debt document or in connection with the realization or enforcement of all or any part of the

Transaction Security or on an Enforcement or Distressed Disposal or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall (the "**Recoveries**") will be paid to the Security Agent for application (to the extent permitted by law) in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- first, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Senior Secured Notes Trustee and Security Agent (or any receiver or delegate) in respect of their costs and expenses and then (ii) *pari passu* and *pro rata* to each other creditor representative (to the extent not included in (i) above and excluding any Hedge Counterparties as its own creditor representative) in respect of their costs and expenses and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;

- secondly, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Priority Secured Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;

- thirdly, in respect of Recoveries resulting from the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu thereof only, *pari passu* and *pro rata* to (i) the creditor representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and Credit Facility Lenders under that Credit Facility in respect of all amounts then due and payable to the Credit Facility Lenders at such time and any related arranger liabilities in accordance with the terms of the Credit Facility finance documents; and (ii) to the Super Senior Hedge Counterparties in respect of amounts then due and payable under any Super Senior Hedging Agreements;

- fourth, *pari passu* and *pro rata* to (i) the creditor representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and Credit Facility Lenders under that Credit Facility in respect of all amounts then due and payable to the Credit Facility Lenders at such time and any related arranger liabilities in accordance with the terms of the Credit Facility finance documents; (ii) the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, (iii) to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Debt Liabilities and (iv) to the Hedge Counterparties in respect of amounts then due and payable under any Hedging Agreements;

- fifth, (to the extent such Security secure the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Debt Representative of all costs and expenses incurred by the holders of Future Senior Subordinated Debt in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;

- sixth, (in respect of Recoveries from the enforcement of Transaction Security only, to the extent such Security secure the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Representative on behalf of the holders of Future Senior Subordinated Debt for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and

- seventh, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

Equalization

If, for any reason:

- any Super Senior Liabilities remain unpaid after the enforcement date and after the application of Recoveries in accordance with the Payments Waterfall and the resulting losses are not borne by the Super Senior Creditors in the proportions which their respective Super Senior Exposures at the enforcement date bore to each other, the Super Senior Creditors will make such payments, from such Recoveries actually applied, amongst themselves as the Security Agent shall require to put the Super Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions; and
- any Senior Secured Liabilities (other than Super Senior Liabilities) remain unpaid after the enforcement date and after the application of Recoveries as defined in, and in accordance with the Payments Waterfall and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective Senior Secured Exposures at the enforcement date bore to each other, the Senior Secured Creditors will make such payments, from such Recoveries actually applied, amongst themselves as the Security Agent shall require to put the Senior Secured Creditors and Super Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Acceleration

If an Event of Default occurs under any Credit Facility finance documents, the Senior Secured Notes finance documents, any Future Pari Passu Debt finance documents or any Future Senior Subordinated Debt finance documents, then any decision to accelerate the Credit Facility or Senior Secured Notes or Future Pari Passu Debt or Future Senior Subordinated Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the Credit Facility finance document or the Senior Secured Notes finance document, the Future Pari Passu Debt finance document or the Future Senior Subordinated Debt finance documents (as applicable). The Intercreditor Agreement will contain provisions requiring the Credit Facility Agent, the Senior Secured Notes Trustee, each Future Pari Passu Debt Representative and each Future Senior Subordinated Debt Representative to notify the Security Agent if an Acceleration Event occurs, and the Security Agent shall, upon receiving that notification, notify each other Party under the Intercreditor Agreement.

Non-distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Credit Facility finance documents, the Senior Secured Notes finance documents, the Future Pari Passu Debt finance documents and the Future Senior Subordinated Debt finance documents, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents); (ii) in respect of a disposal to a person or persons outside the Group, if the relevant asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the shares in the capital of that Debtor, the assets of that Debtor and the shares in and assets of any of its subsidiaries and (iii) execute and deliver or enter into the release of any Transaction Security or claim described in (i) or (ii) above and issue certificates of non-crystallization of any floating charge (to the extent applicable) or any consent to the dealing that the Company may reasonably request.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized:

(k) to release the Transaction Security, or any other claim over the asset subject to the Distressed Disposal and execute and deliver or enter into any release of that Transaction Security or

claim, and issue the letters of non-crystallization of any floating charge (to the extent applicable) or any consent or dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(l) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities and guarantee liabilities under the Intercreditor Agreement (including any liabilities under the Credit Facility finance documents, the Senior Secured Notes, the Future Pari Passu Debt finance documents and/or the Future Senior Subordinated Debt finance documents ("**Primary Liabilities**") or trading and other liabilities it may have to Shareholder Creditors or Intragroup Lenders ("**Other Liabilities**"); (ii) any Transaction Security granted by: that Debtor or any subsidiary of that Debtor over any of its assets; and any holding company of that Debtor over any shares, loans, claims or other rights in or against that Debtor; and (iii) any other claim of a Shareholder Subordinated Lender, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(m) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (ii) any Transaction Security granted by: any subsidiary of that holding company over any of its assets; and any holding company of that holding company over any shares, loans, claims or other rights in or claims against that holding company; and (iii) any other claim of a Shareholder Subordinated Lender, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company;

(n) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose all or any part of the Liabilities or liabilities owed to any other Debtor ("**Debtor Liabilities**") by that Debtor or holding company or any subsidiary of that Debtor or holding companies: (i) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities be treated as a Primary Creditor or a secured party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities owed to the Primary Creditors or Debtor Liabilities; (ii) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a secured party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of the other Liabilities and the Debtor Liabilities; and

(o) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or Debtor Liabilities, to execute and deliver or enter into any agreement to: (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

If the Instructing Group is constituted by the Majority Senior Secured Creditors, Super Senior Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied in discharge in full of all Super Senior Liabilities.

If a Distressed Disposal is being effected at a time when the Majority Future Senior Subordinated Creditors are entitled to give, and have given, enforcement instructions Super Senior Liabilities or Senior Secured Liabilities may not be released or disposed of unless sufficient cash proceeds are

received from the relevant Distressed Disposal and applied towards the irrevocable discharge in full of all Super Senior Liabilities and all Senior Secured Liabilities.

If, before the Future Senior Subordinated Debt Discharge Date, and provided that the Company or any guarantor of Future Senior Subordinated Debt has outstanding Future Senior Subordinated Debt Liabilities and provided further that if any Future Senior Subordinated Debt has been incurred by Holdco the proceeds were on-lent to the Company pursuant to a shareholder proceeds loan, a Distressed Disposal is being effected such that Future Senior Subordinated Liabilities owed by the Company and/or such guarantors and security granted by or over the assets of the Company or any such guarantor will be released, it is a further condition to the release that either:

(1) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders; or

(2) each of the following conditions are satisfied:

(a) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of sub-paragraph (c)(ii) below are satisfied in relation thereto;

(b) all present and future obligations owed to the Senior Secured Creditors and the Super Senior Creditors under the Senior Secured Debt documents by a member of the Group all of whose shares that are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Group in respect of the liability owed to the Senior Secured Creditors under the Senior Secured Debt documents in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

(c) such sale or disposal (including any sale or disposal of any claim) is made:

(i) pursuant to a public auction or public offering; or

(ii) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "Application of Proceeds/Waterfall" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Senior Secured Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Except for amendments to cure defects or omissions, resolve ambiguities or inconsistencies or to reflect changes of a minor, technical or administrative nature or which are otherwise for the

benefit of all or any of the Secured Parties, which may in each case be effected by the Security Agent and the Company without the consent of any other party and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Credit Facility Agreement, the Senior Agent (acting on the instructions of the requisite RCF Lenders);

(b) if the Proposed Amendment is prohibited by the terms of the Senior Secured Notes Indenture, the Senior Secured Notes Trustee;

(c) if any Future Pari Passu Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Future Pari Passu Debt Documents, the Future Pari Passu Debt Representative in respect of such Future Pari Passu Debt (if applicable, acting on the instructions of the Future Pari Passu Debt Required Holders;

(d) if any Future Senior Subordinated Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Future Senior Subordinated Debt Documents, the Future Senior Subordinated Debt Representative in respect of such Future Senior Subordinated Debt (if applicable, acting on the instructions of the Future Senior Subordinated Debt Required Holders);

(e) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(f) the Shareholder Creditors; and

(g) the Company,

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class and the Company shall be required.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt in accordance with the relevant Future Senior Subordinated Debt Documents;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt, in accordance with the relevant Future Pari Passu Debt Documents;

(c) **"Primary Creditors"** means the Super Senior Creditors, the Senior Secured Notes Creditors, the Future Pari Passu Creditors, the Future Senior Subordinated Creditors and the Non-Priority Hedge Counterparties;

(d) **"Senior Secured Notes Required Holders"** means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable) in accordance with the Senior Secured Notes Indenture;

(e) **"Transaction Security"** means any Security granted by a member of the Holdco Group which in each case, to the extent legally possible and subject to the Agreed Security Principles: (1) is created in favor of the Security Agent as agent or trustee or *mandatario con rappresentanza* for the relevant Secured Parties in respect of their Secured Obligations; or (2) in the case of any jurisdiction in which effective Security cannot be granted in favor of the Security Agent as agent or trustee or *mandatario con rappresentanza* for the Secured Parties, is created in favor of: (i) the relevant Secured Parties in respect of their Secured Obligations; or (ii) (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the Secured Parties in respect of their Secured Obligations.

(f) **"Transaction Security Documents"** means any document entered into by any Debtor or Holdco creating or expressed to create Transaction Security.

Option to Purchase

Following (a) any notice that the Transaction Security has become enforceable; or (b) either (i) an acceleration of the Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt which is continuing, or (ii) the enforcement of any Transaction Security as a result of an acceleration of the Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt which is continuing (each a **"Distress Event"**), the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the Credit Facility Lenders' (or their affiliates) commitments under the Credit Facility and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the Credit Facility and Hedging Agreements, with such purchase to occur all at the same time.

Following (a) any notice that the Transaction Security has become enforceable; or (b) a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Hedging

All payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement will contain provisions in relation to the circumstances in which a Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement will contain provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Shareholder Debt Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt and the Future Senior Subordinated Debt);

(c) incurrence of Future Pari Passu Debt or Future Senior Subordinated Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Subordinated Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the Revolving Credit Facility or the Senior Secured Notes Indenture and in compliance with the agreed parameters for such class of debt (if any) and the Future Senior Subordinated Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(d) the ability to incur additional Credit Facilities benefiting from a similar position under the terms of the Intercreditor Agreement as the Revolving Credit Facility; and

(e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Target Proceeds Loans

On or about the Completion Date, the Issuer will make available:

(i) to Flos, the Flos Proceeds Loan;

(ii) to B&B, the B&B Proceeds Loan; and

(iii) to Danish HoldCo, the Danish HoldCo Proceeds Loan, the proceeds of which will be used by Danish HoldCo to make available to Luminous Designs Denmark ApS a subsequent proceeds loan,

in each case using a portion of the net proceeds from the Offering of the Notes.

The amount borrowed under the Target Proceeds Loan will be used, directly or indirectly, in order to repay substantially all of the Targets' existing external indebtedness, as described under "*Summary—The Transactions*" and "*Use of Proceeds*".

Interest on the Target Proceeds Loans will accrue at a rate that we anticipate will not be lower than the rate applicable to the Notes. The maturity date of the Target Proceeds Loans will be on or about the maturity date of the Notes and the agreements governing the Target Proceeds Loans will provide that the relevant borrower shall or may determine to repay any of the Target Proceeds Loans (i) on the relevant maturity date; (ii) in such amounts and on such dates (but only to the extent permitted by the Intercreditor Agreement) so as to ensure that the Issuer can make a payment when due (whether upon acceleration or otherwise) in respect of any amount the Issuer shall from time to time pay under the Indenture and/or any Note in connection with any repayment, redemption or repurchase of outstanding Notes (whether upon acceleration or otherwise), prior to the final maturity date of the Notes under the Indenture; (iii) any payment of interest and/or Additional Amount (as defined in the Indenture), due under the Notes (becoming due and payable for any reason other than in connection with a payment otherwise permitted under the applicable Target Proceeds Loan) from time to time, to the extent the relevant borrower is unable to make a dividend or distribution to the lender for such purposes, due to insufficient distributable reserves or due to other restrictions under applicable Italian corporate law up to an overall aggregate amount equal to 20% of the Total Commitment (as defined under the relevant agreements regulating the Target Proceeds Loans) as of the signing date of the Target Proceeds Loans agreements; and/or (iv) in such amounts and on such dates as may be necessary to avoid any breach of any applicable law or regulation and/or illegality. Other than in the cases described above, the relevant borrower under the Target Proceeds Loans may not prepay, in whole or in part, the amounts outstanding under the relevant Target Proceeds Loans

and no repayment, reduction, extinguishment or equitization of the receivables arising under the relevant Target Proceeds Loan agreement may occur.

Each of the Target Proceeds Loans will be a senior obligation of the relevant Target. The Target Proceeds Loans do not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under each of the Target Proceeds Loans will be assigned by way of security on a first-ranking basis as part of the Collateral securing the Notes and the Revolving Credit Facility. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the Target Proceeds Loans in priority to the holders of the Notes.

The agreements regulating each of the Target Proceeds Loans will be governed by Italian law.

See also *"Risk factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—Our right to receive payments under the Target Proceeds Loans may be subordinated by law to the obligations of other creditors".*

Bilateral Facilities

Both Flos and B&B are parties to various uncommitted bilateral facilities and overdraft lines agreements with local banks pursuant to which certain short term working capital, export finance and general corporate purposes facilities have been obtained to finance their operations and liquidity needs (the "**Short Term Bilateral Facilities**"). The Short Term Bilateral Facilities are unguaranteed obligations of each of Flos and B&B. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and are utilized from time to time as part of the cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of letters of credit (*linee di firma*) by the relevant financial institution in connection with the day-to-day operations. As of June 30, 2018, €4.5 million was outstanding under the Short Term Bilateral Facilities. See "*Capitalization*".

LP is party to an uncommitted bilateral DKK 20 million overdraft line agreement with a local bank pursuant to which certain short term working capital and general corporate purposes facilities have been obtained to finance its operations and liquidity needs (the "**LP Bilateral Facilities**"). The LP Bilateral Facilities are unguaranteed obligations of LP. The unsecured and uncommitted credit facilities generally relate to overdraft protection. As of June 30, 2018, the LP Bilateral Facilities were unutilized. The LP Bilateral Facilities will terminate prior to December 31, 2018.

Off-Balance Sheet Bank Guarantees (*fideiussioni bancarie*)

In the ordinary course of business, Flos and B&B are required to provide certain bank guarantees (*fideiussioni bancarie*) for the purpose of guaranteeing their obligations under certain commercial agreements. Such guarantees are generally issued by commercial banks. As of June 30, 2018, Flos and B&B had obtained bank guarantees in an aggregate outstanding amount of approximately €0.6 million and €4.3 million, respectively.

Intercompany Loans

B&B, as lender, has granted, in the ordinary course of business and/or in order to optimize the cash flow management of the B&B Group, various unsecured and interest bearing intercompany loans to certain of its subsidiaries in order to support their financial requirements. We expect that these intercompany loans will remain outstanding following the Transactions.

Cash Collateral

Flos, B&B and certain of their respective subsidiaries have granted in favor of certain third parties various cash collateral deposits in connection with, *inter alia*, certain rental obligations, leases obligations and obligations to pay certain utilities.

DESCRIPTION OF NOTES

General

In this description, (1) the terms "*we*", "*us*" and "*our*" each refer to International Design Group S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy (the "**Issuer**"), and its consolidated Subsidiaries being purchased in the Acquisition (as defined herein) and (2) the term "Issuer" in this "Description of Notes" refers only to International Design Group S.p.A. and not to any of its Subsidiaries. Capitalized terms used in this "Description of Notes" section and not otherwise defined have the meanings set forth in the section "*—Certain Definitions*".

For purposes of this description, the €320.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2025 (the "**Floating Rate Notes**") and €400.0 million aggregate principal amount of 6.50% Senior Secured Fixed Rate Notes due 2025 (the "**Fixed Rate Notes**") are collectively referred to as the "**Notes**". The Notes are to be issued under an indenture (the "**Indenture**"), to be dated as of the Issue Date, among the Issuer and The Law Debenture Trust Corporation plc, as trustee (in such capacity, the "**Trustee**") and legal representative of the holders of the Notes (*mandatario con rappresentanza)* under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code and UniCredit S.p.A., as security agent (the "**Security Agent**") and as representative (*rappresentante*) pursuant to and for the purposes set forth under article 2414-*bis*, 3rd para. of the Italian Civil Code (in such capacity, the "**Representative**"). The Notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act, and the Indenture will not be qualified under or subject to, and will not incorporate (by reference or otherwise), any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer. Prior to the Completion Date, the Issuer will not control the Target Group or any of its Subsidiaries, and none of the Target Group nor any of its Subsidiaries will be subject to the covenants described in this "Description of Notes". As such, the Issuer cannot assure you that prior to the Completion Date, the Target Group and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date. The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Equity Contribution and certain cash available at the Targets, to fund the purchase price for the Acquisition, refinance certain existing indebtedness of the Target Group and to pay costs and expenses incurred in connection with the Transactions and to pay other amounts as set forth in this Offering Memorandum under the caption "*Use of Proceeds*". Pending consummation of the Transactions and the satisfaction of certain other conditions as described below, the Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Notes into segregated escrow accounts (the "**Escrow Accounts**") pursuant to the terms of an escrow deed (the "**Escrow Agreement**") dated on or prior to the Issue Date among the Issuer, the Trustee and JPMorgan Chase Bank, N.A., as Notes escrow agent (the "**Escrow Agent**"). If the Transactions are not consummated on or prior to May 15, 2019 (the "**Escrow Longstop Date**"), each series of Notes will be redeemed at a price equal to 100% of the initial issue price of the relevant series of Notes *plus* accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption*".

The Issuer will issue Fixed Rate Notes with an initial aggregate principal amount of €400.0 million and Floating Rate Notes with an initial aggregate principal amount of €320.0 million. The Issuer may from time to time after this offering issue additional Fixed Rate Notes under the Indenture ("**Additional Fixed Rate Notes**") and/or additional Floating Rate Notes under the Indenture ("**Additional Floating Rate Notes**", and together with the Additional Fixed Rate Notes, "**Additional Notes**") without notice to or the consent of holders of Notes. Any

offering of Additional Notes would be subject to the covenant described below under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*". Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture (including as described under "*—Meetings of Holders of Notes*" below), the Notes issued on the Issue Date and any Additional Notes subsequently issued under the Indenture will vote as a single class (except as otherwise described under "*—Amendments and Waivers*"). Any Additional Notes shall have terms substantially identical to the applicable series of Notes issued on the Issue Date except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered by the Issuer to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Any Additional Notes that differ with respect to maturity date, interest rate or optional redemption provisions from the applicable series of Notes issued on the Issue Date will constitute a different series of notes from the applicable Notes issued on the Issue Date. Additional Notes that have the same maturity date, interest rate and optional redemption provisions as the applicable series of Notes issued on the Issue Date will be treated as the same series as the applicable Notes issued on the Issue Date unless otherwise designated by the Issuer. The Issuer similarly will be entitled to vary the application of certain other provisions to any series of Additional Notes; *provided* that, if any series of Additional Notes are not fungible with the relevant series of Notes for U.S. federal income tax and Italian tax purposes in the reasonable judgment of the Issuer, the Additional Notes will be issued with a separate CUSIP, ISIN or Common Code, as applicable, from the previously issued and outstanding Notes. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of Notes", references to "Fixed Rate Notes" shall be deemed to include the Fixed Rate Notes issued on the Issue Date as well as any Additional Fixed Rate Notes that are actually issued, references to "Floating Rate Notes" shall be deemed to include the Floating Rate Notes issued on the Issue Date as well as any Additional Floating Rate Notes that are actually issued and all references to the "Notes" include any Additional Notes that are actually issued.

The Indenture and the Guarantees thereunder will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for

undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture. The Notes will be issued only in fully registered form, without coupons, in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof.

The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**") on the Issue Date. See also "*—Methods of Receiving Payments on the Notes*" and "*—Paying Agent and Registrar for the Notes*".

The Security Documents referred to below under the caption "—Collateral" define the terms of the security that will secure the Notes. The Indenture, the Notes and the Guarantees of the Notes (the "**Guarantees**") are subject to the terms of the Intercreditor Agreement. See "*—Intercreditor Agreement and Additional Intercreditor Agreements*".

The Indenture will provide that any reference to a merger, transfer, consolidation, amalgamation, distribution, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, limited partnership or trust, or an allocation of assets to a series of a limited liability company, limited partnership or trust (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, distribution, assignment, sale or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company, limited partnership or trust shall constitute a separate Person hereunder (and each division of any limited liability company, limited partnership or trust that is a Subsidiary, Restricted Subsidiary, Unrestricted Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

This "Description of Notes" is intended to be an overview of the material provisions of the Notes, the Guarantees, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the Indenture are available from us upon request.

Ranking

On the Issue Date, the Notes will be joint and several, senior secured obligations of the Issuer and will:

- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes (including Indebtedness under the Revolving Credit Facility Agreement);

- be effectively subordinated to any existing and future Indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes or which secures such other Indebtedness on a super senior basis, to the extent of the value of the property and assets securing such Indebtedness;

- be structurally subordinated to all existing and future Indebtedness and other liabilities of all Non-Guarantor Subsidiaries;

- rank contractually senior in right of payment to future Subordinated Indebtedness of the Issuer, if any; and

- within 90 days following the Completion Date, subject to the Agreed Security Principles, will be unconditionally guaranteed on a senior basis by each of the Guarantors (as defined herein), subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

Under the terms of the Intercreditor Agreement, holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including (i) obligations under the Revolving Credit Facility Agreement, (ii) other Indebtedness incurred pursuant to the terms of the Indenture that is entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes and (iii) certain Hedging Obligations.

As of June 30, 2018, on a *pro forma* basis after giving effect to the Transactions, we would have had total indebtedness of €731.8 million, of which €720.0 million is represented by the Notes and €11.8 million is represented by certain other financial liabilities, of which €5.1 million is secured by assets other than the Collateral. See "*Capitalization*". In addition, we would have had an additional €100 million of borrowing capacity under the Revolving Credit Facility Agreement, which we anticipate will be undrawn on the Completion Date. Additionally, under the Revolving Credit Facility Agreement, we have the option to increase the amount of commitments so long as the maximum aggregate principal amount of total commitments under the Revolving Credit Facility Agreement do not exceed the amount permitted to be incurred under clause (a) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*". See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

The Issuer is a holding company established in connection with the Transactions with limited direct operations. As of the Issue Date, the Issuer will not have any Subsidiaries. Following the Completion Date, substantially all of the operations of the Issuer will be conducted through its Subsidiaries. As a result, the Issuer will be dependent upon dividends and other payments from its Subsidiaries to generate the funds necessary to meet our outstanding indebtedness service and other obligations and such dividends and other payments may be restricted by law or the instruments governing our indebtedness, including any financing agreements of our Subsidiaries. Our Subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the Notes. Unless a Subsidiary is a Guarantor, claims of creditors of such Subsidiaries (including trade creditors) and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Issuer, including holders of the Notes. The Notes, therefore, will be structurally subordinated to claims of creditors (including trade creditors) and preferred stockholders (if any) of Non-Guarantor Subsidiaries. Although the Indenture will contain limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may Incur, and Preferred Stock that Non-Guarantor Subsidiaries may issue, such limitations are subject to a number of significant exceptions.

Guarantees

On the Issue Date, the Notes will not be guaranteed. However, within 90 days following the Completion Date, subject to the Agreed Security Principles, each of B&B Italia S.p.A., Flos S.p.A., Louis Poulsen A/S and Antares Illuminación S.A.U. (each a "**Guarantor**" and collectively, the "**Guarantors**") is expected, subject to the limitation applicable to each relevant Guarantor as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to*

certain defenses that may limit their validity and enforceability", to guarantee on a senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of Obligations of the Issuer under the Indenture and the Notes (including interest that, but for the filing of a petition in bankruptcy with respect to the Issuer, would have accrued on any Obligation, whether or not a claim is allowed against the Issuer for such interest in the related bankruptcy proceeding) to the holders and the Trustee, whether for payment of principal of, premium, if any, or interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Guarantors being herein called the "**Guaranteed Obligations**").

Each Guarantee of a Guarantor upon issuance will be a general, senior obligation of such Guarantor and will:

- rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantee (including its guarantee of Indebtedness under the Revolving Credit Facility Agreement);
- rank contractually senior in right of payment to any future Subordinated Indebtedness of such Guarantor, if any;
- be effectively subordinated to all existing and future Indebtedness of such Guarantor that is secured by property or assets that do not secure the Guarantee, or which secures such other Indebtedness on a super senior basis, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to all existing and future Indebtedness and other liabilities of any of such Guarantor's Non-Guarantor Subsidiaries.

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance, "thin capitalization" rules and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. In particular, Guarantees granted by any Spanish Guarantor will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance provisions in accordance with Article 143.2 (if a Spanish Guarantor is a limited liability company (*sociedad de responsabilidad limitada*)) and Article 150 (if a Spanish Guarantor is a public company (*sociedad anónima*)) of the Spanish Capital Companies Act. In addition, the Guarantees will be further limited as required by the Agreed Security Principles as described below. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Consolidations*". This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by the applicable Guarantor without rendering the Indenture or the Guarantees, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. However, such limitations may not be effective under local law. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*".

Each Guarantee will be a continuing guarantee and, subject to the next succeeding paragraph, shall:

(1) remain in full force and effect until payment in full of all the Guaranteed Obligations;

(2) be binding upon each such Guarantor and its successors and assigns; and

(3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

A Guarantee of a Guarantor will be automatically and unconditionally released and discharged:

(a) upon the sale, exchange, disposition or other transfer (including through merger, consolidation or dissolution) of (x) the Capital Stock of such Guarantor, if after such transaction the Guarantor is no longer a Restricted Subsidiary, or (y) all or substantially all the assets of such Guarantor if such sale, exchange, disposition or other transfer (including through merger, consolidation or dissolution) is made in compliance with the Indenture so long as such Guarantor is also released from its guarantee of the Revolving Credit Facility Agreement and Certain Capital Markets Debt (if applicable);

(b) upon the Issuer designating such Guarantor to be an Unrestricted Subsidiary in accordance with the provisions set forth under "*—Certain Covenants—Limitation on Restricted Payments*" and the definition of "Unrestricted Subsidiary;"

(c) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(d) as described under "*—Amendments and Waivers*";

(e) as a result of a transaction that would not be prohibited under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(f) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "*—Certain Covenants—Future Guarantors*", (i) the release or discharge of the guarantee by such Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer or (ii) the repayment of the Indebtedness that resulted in the obligation to guarantee the Notes (and the release, discharge or repayment of any other Indebtedness and Disqualified Stock that would require such Restricted Subsidiary to guarantee the Notes pursuant to the covenant described under "*—Certain Covenants—Future Guarantors*"), except if a release, discharge or repayment is by or as a result of payment in connection with the enforcement of remedies under such other guarantee of Indebtedness;

(g) upon the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under "*—Defeasance*", or if the Indenture is discharged (including through redemption or repurchase of all the Notes as a result of satisfaction and discharge or otherwise) as described in "*—Satisfaction and Discharge*"; or

(h) in connection with a Permitted Reorganization.

A Guarantee also will be automatically released upon the applicable Subsidiary ceasing to be a Subsidiary as a result of any foreclosure of any pledge or security interest securing the Revolving Credit Facility Agreement or other exercise of remedies in respect thereof.

Upon the request and expense of the Issuer, the Security Agent and, to the extent reasonably requested, the Trustee, shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the holders or any other action or consent on the part of the Trustee.

Following the Completion Date, not all of the Issuer's Subsidiaries will guarantee the Notes and the Issuer will not have any obligation to cause any of its Subsidiaries to guarantee the Notes in the future, except as described in the first paragraph of this section "*—Guarantees*" above and as required under the circumstances described below under the caption "*—Certain Covenants—Future Guarantors*". For the 12-month period ended June 30, 2018, *pro forma* for the

Transactions, the expected Non-Guarantor Subsidiaries of the Target Group represented 39.2% of the revenue of the Target Group and 19.6% of the EBITDA of the Target Group, in each case, as calculated based on management accounts of each Target. As of June 30, 2018, *pro forma* for the Transactions, the expected Non-Guarantor Subsidiaries of the Target Group represented 18.0% of the total assets of the Target Group, as calculated based on management accounts of each Target. See "*Presentation of Financial and Other Information*".

Terms of the Notes

The Issuer will issue €320.0 million in aggregate principal amount of Floating Rate Notes and €400.0 million in aggregate principal amount of Fixed Rate Notes on the Issue Date. The Floating Rate Notes will mature on November 15, 2025 and the Fixed Rate Notes will mature on November 15, 2025, with a redemption price at maturity of 100.000%. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the Fixed Rate Notes will accrue at the rate of 6.50% per annum. Interest on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on May 15 and November 15, commencing on May 15, 2019;
- be payable to the holder of record of such Fixed Rate Notes on the May 1 and November 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Floating Rate Notes will accrue at a rate per annum (the "**Applicable Rate**"), reset quarterly, equal to the sum of (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) *plus* (ii) 6.00%, as determined by the calculation agent (the "**Calculation Agent**"), who shall initially be The Bank of New York Mellon, London Branch. Interest on the Floating Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on February 15, May 15, August 15 and November 15, commencing on February 15, 2019;
- be payable to the holder of record of such Floating Rate Notes on the February 1, May 1, August 1 and November 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Interest Calculation Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 365. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law, *provided*, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Floating Rate Notes is permitted under any applicable law.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Floating Rate Notes.

"**Calculation Agent**" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

"**EURIBOR**" means, with respect to an Interest Period, the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date that appears on Reuters page EURIBOR01 as of 11:00 a.m. (Brussels time) on the Interest Calculation Date; *provided*, *however*, that EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on an Interest Calculation Date, the Calculation Agent (or to the extent required, the Issuer) will request the principal London office of each of four major banks in the euro zone inter-bank market, as selected by the Calculation Agent, in consultation with 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 Interest Calculation Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such offered quotations are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent (or to the extent required, the Issuer) will request each of three major banks in London, as selected by the Calculation Agent, in consultation with 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 Interest Calculation Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such rates are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then EURIBOR in respect of such Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

In the event that EURIBOR is no longer being calculated or administered or is otherwise no longer generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities hereunder, the alternative basis for determining the rate of interest on the Notes will be any successor rate generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer in good faith; *provided* that, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgment of the Issuer, the Issuer, in consultation with the Calculation Agent, shall determine a reasonably appropriate alternative basis for determining the rate of interest on the Notes; *provided further* that any such alternative basis adopted pursuant to this paragraph shall in all cases never be less than 0%. Following the adoption of an alternative basis pursuant to this paragraph, all references to "EURIBOR" in the Indenture shall be deemed to refer to such alternative basis.

"**euro-zone**" means the region comprised of member states of the European Union that at such time use the euro as their official currency.

"**Interest Calculation Date**" means the day that is two TARGET Settlement Days preceding the first day of such Interest Period (as defined below) in respect of the relevant Interest Period.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date.

"**Representative Amount**" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**Reuters Page EURIBOR01**" means the display page so designated on Reuters (or such other page as may replace that page on that service, or, if no such page is available, Bloomberg page ''*EBF*''

or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

The rights of holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear, Clearstream or DTC, as applicable. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below); *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear or Clearstream or, in the case of DTC, registered in the name of Cede & Co., the nominee of DTC, and held with a custodian for DTC, as applicable, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

Principal, interest and premium and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*".

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents for the Notes (each, a "**Paying Agent**"). The initial Paying Agent will be The Bank of New York Mellon, London Branch. The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent (the "**Transfer Agent**"). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon SA/NV, Luxembourg Branch. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer. The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the holders of such Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

For so long as Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under the section "*Transfer Restrictions*" in the Offering Memorandum. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under the section Transfer Restrictions in the Offering Memorandum and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under the section "Transfer Restrictions" in the Offering Memorandum.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of

€100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, the Issuer will not have any Subsidiaries. As of the Completion Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

If the offering of the Notes closes prior to the Completion Date, concurrently with, or prior to, the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the applicable series of Notes sold on the Issue Date into the Escrow Accounts. Each Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Fixed Rate Notes and the Floating Rate Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**".

The Escrow Agent shall promptly release the Escrowed Property to the Issuer (the "**Release**"), subject only to receipt by the Escrow Agent of an Officer's Certificate by the Issuer to the Escrow Agent with a copy to the Trustee, on or before the Escrow Longstop Date, to the effect that:

- the Acquisition has been consummated or will be consummated within one Business Day following the Release, on substantially the same terms as described in the Offering Memorandum under the section "*Summary—The Transactions*", except for any waivers, changes or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Notes or to which the holders have consented; and
- as of the date of delivery of the Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled Events of Default below with respect to the Issuer.

Upon the Release, the Escrow Accounts shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the satisfaction of the conditions set forth above does not take place on or prior to the Escrow Longstop Date, (b) at any time prior to the Escrow Longstop Date, in the good faith judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own or control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled Events of Default on or prior to the Escrow Longstop Date with respect to the Issuer (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 100% of the aggregate issue price of each of the Fixed Rate Notes and the Floating Rate Notes, in each case, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each holder the Special Mandatory Redemption Price for such holder's Notes and, concurrently with the payment to such holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the applicable Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, Design Holding S.p.A. will, pursuant to a shortfall agreement (the "**Shortfall Agreement**") between the Issuer and Design Holding S.p.A., be required to contribute to each of the Escrow Accounts an amount equal to the amount by which the applicable Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property. See "*Risk Factors—Risks Related to the Transactions—If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the holders of the Notes a security interest in the applicable Escrow Accounts. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charges.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Amounts may be released from the Escrow Accounts prior to the Completion Date to pay negative interest charged on the Escrow Accounts and to pay interest on the Notes on any interest payment date in respect thereof occurring prior to Release.

Security

General

Prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrowed Property. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

On or about the Completion Date (except as otherwise specified below), the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any

Permitted Collateral Liens, by security interests granted on an equal and ratable first priority basis over the following property, rights and assets:

(1) 100% of the share capital of the Issuer;

(2) certain material bank accounts of the Issuer;

(3) within 20 Business Days following the Completion Date, 100% of the share capital of each of the Targets; and

(4) within 20 Business Days following the Completion Date, the Issuer's receivables in respect of the Target Proceeds Loans,

(collectively, the **"Collateral"**).

In addition, upon accession of the Guarantors within 90 days following the Completion Date, the Notes will be secured by, subject to certain agreed security principles and subject to the limitations applicable to each relevant Guarantor as described under "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*", additional security consistent with the security required to be provided for the benefits of the lenders under the Revolving Credit Facility Agreement in accordance with the terms of such agreement, including pledges on the share capital of Louis Poulsen A/S and Antares Illuminación S.A.U. and any other relevant Guarantors (other than the Targets) and certain "material companies" (as defined under the Revolving Credit Facility Agreement), certain material bank accounts to be agreed and material long term structural intercompany receivables, if any. The term "Collateral" is deemed to include any such additional collateral securing the Notes.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*", the Issuer and its Restricted Subsidiaries are permitted to grant security over the Collateral in connection with future issuances of Indebtedness, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the other secured indebtedness may be secured by assets that do not secure the Notes*." Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantee and the Indenture would also constitute Collateral. All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Future Guarantees*", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, financial assistance (including under Article 2358 and/or 2374 of the Italian Civil Code, under the Danish Companies Act and Articles 143.2 and 150 of the Spanish Capital Companies Act), corporate benefit, fraudulent preference, equitable subordination, transfer pricing, thin capitalization, earnings stripping, controlled foreign corporation and other tax restrictions, exchange control restrictions, capital maintenance rules, liquidity impairment rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and its Restricted Subsidiaries (collectively, the "**Group**") to provide a guarantee or security (as applicable) or may require that the guarantee or security be limited in amount or otherwise. In particular, Guarantees granted by any Spanish Guarantor will not guarantee those obligations or

liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance provisions in accordance with, when applicable, Article 143.2 (if the Spanish Guarantor is a limited liability company (*sociedad de responsabilidad limitada*)) and Article 150 (if the Spanish Guarantor is a public company (*sociedad anónima*)) of the Spanish Capital Companies Act.

- the time and cost (including material adverse tax consequences or adverse effects on interest deductibility and stamp duty, registration taxes, notarisation and registration fees) of providing a guarantee or security (and the terms or perfection of such security) must not be disproportionate to the benefit;
- in certain jurisdictions it may be impossible, impractical or disproportionately costly or would unduly disrupt the business of the Group to grant a guarantee or create security over certain assets, and a guarantee will not be granted and/or security will not be taken over such assets;
- any assets subject to legal requirements, contracts, leases, licenses or any other third party arrangements (including, without limitation, any trade receivables) which may prevent those assets from being charged will be (subject to considerations) excluded from any relevant security; *provided* that, if the relevant asset is material, if requested by the Security Agent prior to the entry into the relevant transaction security and the Issuer or the relevant Guarantor determines (acting in good faith) that such endeavours will not jeopardise commercial relationships with third parties, the relevant member of the Group will use commercially reasonable endeavours to obtain any necessary consent or waiver;
- no security will be granted over any asset secured for the benefit of any indebtedness permitted to be incurred and/or to the extent constituting a permitted lien unless specifically required by the Indenture or the Revolving Credit Facility Agreement or other finance documents to the contrary;
- certain supervisory board, works council, regulator or regulatory board (or another external body's consent may be required to enable the provision of a guarantee or security;
- no member of the Group will be required to grant security or guarantees if they are not (other than the Issuer) wholly-owned by another member of the Group or to the extent that to do so is not within their legal capacity or where to do so would conflict with the fiduciary duties of directors or contravene any legal prohibition, contractual restriction or regulatory condition or would result in (or in a risk of) personal or criminal liability on the part of any director or officer, *provided* that the relevant entity shall use commercially reasonable endeavours to overcome any such obstacle;
- the Group will not be liable for any fees, costs, taxes, expenses or other amounts payable in connection with any re-taking, re-registration, re-notarization or other requirement for perfection, presentation, novation or protection of security or guarantees on transfers or assignments by the holders of the Notes or lenders under the Revolving Credit Facility Agreement;
- access to assets of a security provider and the maximum guaranteed or secured amount may be restricted or limited to minimise fees and duties where the benefit of increasing the guarantee or secured amount is disproportionate to the level of such fees and duties;
- any transaction security document shall only be required to be notarized or notarially certified if required by law in order for the relevant security to become effective or admissible in evidence or for the document to bear a certified date as a matter of Italian law and where possible, the transaction security documents governed by Italian law will be executed by way of exchange of correspondence (*scambio di corrispondenza commerciale*), or outside Italy, in order to minimise any documentary tax cost connected with their execution;
- no guarantees or security will be required in jurisdictions other than Italy, Denmark, Spain and any jurisdiction in which any borrower of any credit facilities or any member of the Group which has earnings before interest, tax, depreciation and amortization representing 5% or more of the Consolidated EBITDA of the Group (a "**Material Company**") is incorporated;

- security shall be limited to security over the shares of the Issuer or the relevant Guarantor or Material Company, as applicable, security over material long term structural intercompany receivables to be agreed and certain material bank accounts to be agreed;
- all security (other than share security) will be governed by the law of, and secure only assets located in, the jurisdiction of incorporation of the applicable grantor and no action in relation to security (including any perfection step, further assurance step, filing or registration) will be required in jurisdictions where the grantor of the security is not incorporated; and
- notification of security will only be given to third parties, and security will only be enforceable, after the occurrence of an acceleration event.

The Agreed Security Principles also set out certain additional factors which will apply when determining the extent of the guarantees and the security to be provided and certain additional principles which will be reflected in any security taken.

As described above, all of the Collateral will also secure on a first priority basis the liabilities under the Revolving Credit Facility Agreement, as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that pursuant to the Intercreditor Agreement the lenders under the Revolving Credit Facility and counterparties to certain future Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See "*—Priority*". See also, "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes.*"

The lenders under the Revolving Credit Facility Agreement and/or counterparties to certain future Hedging Obligations and any Additional Notes may also benefit from security which does not secure the Notes offered hereby.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*—Certain Limitations on the Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*."

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "**Security Interests**" and each a "**Security Interest**") as between (a) the lenders under the Revolving Credit Facility Agreement, (b) the counterparties under certain future Hedging Obligations (if any), (c) the Trustee, the Security Agent and the holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement and the Indenture. The Intercreditor Agreement will provide, among other things, that the

obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super-priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See "*—Release of Liens*", "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent, also as Security Representative, legal representative (*mandatario con rappresentanza*) and (other than for Security Documents governed by Italian law Danish law and Spanish law) also as beneficiary of the parallel debt under the Intercreditor Agreement, and, with respect to the Italian Security Documents governed by Italian law, the Trustee acting for itself and in its capacity as the Trustee under the Indenture and additionally as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code, and with respect to Security Documents governed by Danish law, the Security Agent acting for itself and in its capacity as representative (*repræsentant*) pursuant to Chapter 4 of the Danish Capital Markets Act, and with respect to Security Documents governed by Spanish law, the Trustee acting for itself and in its capacity as the Trustee under the Indenture.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral*".

Enforcement of Security Interest

The Security Documents will provide that the rights under the Security Documents must be exercised by the Security Agent (including in its role as Security Representative). Since the holders will not be a party to the Security Documents, holders will not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable).

To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security

Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Certain Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*". The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility Agreement, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. Furthermore, each holder will have deemed to have appointed the Security Agent as *mandatario con rappresentanza* pursuant to article 1704 of the Italian Civil Code and as representative (*rappresentante*) pursuant to article 2414-bis of the Italian Civil Code to act on its behalf. The creditors under the Revolving Credit Facility Agreement, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, authorized the Security Agent under the Indenture and/or the Intercreditor Agreement (as applicable) to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, confirmation, extension, renewal, replacement or discharge expressed to be executed by the Security Agent in its name and on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) authorized the Security Agent and the Trustee, as applicable, to act in its name and on its behalf to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation plc as common representative (*rappresentante comune*) of the holders pursuant to Articles 2417 and 2418 of the Italian Civil Code;

(5) agreed to, and accepted, the appointment of UniCredit S.p.A. as representative (*rappresentante*) of the holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code;

(6) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and

(7) irrevocably appointed the Security Agent and the Trustee to act in its name and on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled *"Risk Factors—Risks related to the Notes, the Notes Guarantees and the Collateral—Holders of the Notes may not control certain decisions regarding the Collateral"* and *"Description of Certain Financing Arrangements—Intercreditor Agreement"*.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

Release of Liens

The Issuer and its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interest in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Asset Sales*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary, *provided* that this clause (1) (b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable (including intercompany loan receivables and hedging receivables) to a Restricted Subsidiary (except, in the case of accounts receivable, to a Receivables Subsidiary), unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal);

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

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock of such Unrestricted Subsidiary;

(6) in connection with a Permitted Reorganization;

(7) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(8) in the case of any security interests over intra-group receivables (if any), upon partial repayment or discharge thereof, the security interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the security interests shall be automatically and fully released and of no further effect;

(9) upon the contribution of any claim against the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries; *provided* that, such contribution is made in compliance with the Intercreditor Agreement;

(10) with respect to the Liens securing the Escrowed Property, in accordance with the terms of the Escrow Agreement and the Escrow Charge;

(11) in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(12) as otherwise not prohibited by the Indenture.

In addition, the Security Interests created by the Security Documents will be released as would not be prohibited under the covenant described under "*—Certain Covenants—Impairment of Security Interest*".

At the request and expense of the Issuer, the Security Agent and, to the extent reasonably requested, the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described above under "*—Escrow of Proceeds; Special Mandatory Redemption*", *"—Post-Tender Optional Redemption"* and *"—Redemption for Taxation Reasons"*, the Fixed Rate Notes are not redeemable until November 15, 2021. On and after November 15, 2021 the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date), if redeemed during the twelve-month period beginning on November 15 of the years indicated below:

Year	Redemption Price
2021	103.250%
2022	101.625%
2023 and thereafter	100.000%

Except as described under "*—Escrow of Proceeds; Special Mandatory Redemption*", *"—Redemption for Taxation Reasons*", the Floating Rate Notes are not redeemable until November 15, 2019. On and after November 15, 2019 the Issuer may redeem all or, from time to time, part of the Floating Rate Notes at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date), if redeemed during the twelve-month period beginning on November 15 of the years indicated below:

Year	Redemption Price
2019	101.000%
2020 and thereafter	100.000%

Prior to November 15, 2021, in the case of the Fixed Rate Notes and November 15, 2019 in the case of the Floating Rate Notes, the Issuer may redeem at its option, in whole at any time or in part from time to time, upon notice as described under "*—Selection and Notice*," at a redemption price equal to 100% of the principal amount of each of the Fixed Rate Notes or the Floating Rate Notes, as the case may be, *plus* the Applicable Premium as of the date of the redemption notice, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

Notwithstanding the foregoing, at any time and from time to time prior to November 15, 2021, the Issuer may redeem in the aggregate up to 40% of the aggregate principal amount of the Fixed Rate Notes (calculated after giving effect to any issuance of Additional Fixed Rate Notes) with an amount equal to the net cash proceeds of one or more Equity Offerings by the Issuer or

any direct or indirect parent of the Issuer, to the extent (in the case of an Equity Offering by a direct or indirect parent of the Issuer) that such net cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer through an issuance of Capital Stock by the Issuer, at a redemption price of 106.5% of the principal amount of the Fixed Rate Notes, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date); *provided* that:

(1) at least 50% of the original aggregate principal amount of the Fixed Rate Notes (including the principal amount of any Additional Fixed Rate Notes) remains outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time and from time to time prior to November 15, 2021, the Issuer may on any one or more occasions redeem during each calendar year up to 10% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Notes), upon notice as described under "*—Selection and Notice*", at a redemption price of 103.00% of the principal amount of the Fixed Rate Notes so redeemed, *plus* accrued and unpaid interest and Additional Amounts, if any, on the Fixed Rate Notes redeemed to, but excluding, the redemption date.

General

The Issuer or its Affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such Affiliates may determine. The Notes of any series may be optionally redeemed in full or in part pursuant to the optional redemption provisions of the Indenture described above before the Notes of any other series are optionally redeemed in full (or at all) pursuant to such optional redemption provisions of the Indenture.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

All redemptions of the Notes will be made upon not less than 10 days' nor more than 60 days' prior notice, except that a redemption notice may be made more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption of the Notes may, at the Issuer's discretion, be subject to one or more conditions precedent. The redemption date of any redemption that is subject to satisfaction of one or more conditions precedent may, in the Issuer's discretion, be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and any notice with respect to such redemption may be modified or rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date so delayed; *provided* that, any such redemption date may not exceed 60 days from the date of the redemption notice. In

addition, such notice of redemption may be extended if such conditions precedent have not been satisfied or waived by the Issuer by providing notice to the noteholders. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Sinking Fund

Except as set forth above under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*", the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post-Tender Optional Redemption

Notwithstanding the foregoing, in connection with any tender offer or other offer to purchase for the Notes, if holders of not less than 90% in aggregate principal amount outstanding of a series of Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered (excluding any early tender premium or similar payment) to each other holder of Notes in such tender offer or other offer to purchase, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Redemption for Taxation Reasons

The Issuer may redeem the Notes, at its option, in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date) and all Additional Amounts (as defined under "*—Additional Amounts* "), if any, then due or that will become due on the Tax Redemption Date as a result of the redemption or otherwise if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "*—Additional Amounts*") affecting taxation; or

(2) any amendment to, an introduction of or change in an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a government agency or court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

any Payor (as defined under "*—Additional Amounts*"), with respect to the Notes or a Guarantee is, or on the next date on which any amount would be payable in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to such Payor (including the appointment of a new Paying Agent or, where such action would be reasonable, payment through another Payor); *provided* that no Payor shall be required to take any measures that in the Issuer's good-faith determination would result in the imposition on such person of any material legal or regulatory burden or the incurrence by such person of additional material costs, or would otherwise result in any material adverse consequences to such person.

In the case of any Payor, the Change in Tax Law with respect to a given Relevant Taxing Jurisdiction must become effective on or after the later of (i) the Issue Date or (ii) the date

a jurisdiction becomes a Relevant Taxing Jurisdiction. Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication, mailing or delivery of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied (including that the obligation to pay such Additional Amounts cannot be avoided by the Payor taking reasonable measures available to it) and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor would be obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept, without further inquiry, such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to the laws and official positions of any jurisdiction in which any successor to a Payor is organized or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Additional Amounts

All payments made by or on behalf of the Issuer or any Guarantor or any successor in interest to any of the foregoing (each, a "**Payor**") on or with respect to the Notes or any Guarantee, as applicable, will be made without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other similar governmental charge (collectively, "**Taxes**") unless such withholding or deduction is required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on the Notes or any Guarantee is made by or on behalf of such Payor or the Paying Agent, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor that actually makes a payment on the Notes or its Guarantee is incorporated or organized, engaged in a business for tax purposes or considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clauses (1) and (2), a "**Relevant Taxing Jurisdiction**"), will at any time be required from any payments made with respect to the Notes or any Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by the noteholders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts that would have been received in respect of such payments on the Notes or the Guarantees in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed or levied but for the existence of any present or former connection between the relevant noteholder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant noteholder or the beneficial owner, if such noteholder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or

holding of such Notes or the receipt of any payment or exercise of any right under such Note, the Indenture or a Guarantee;

(2) any Taxes that would not have been so imposed or levied if the holder or the beneficial owner of the Note had, to the extent legally entitled to do so, complied with a reasonable request in writing of the Payor (at least 30 days before any such withholding or deduction would be payable) to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the noteholder or such beneficial owner or to make any declaration of non-residence or any other claim or filing or satisfy any certification, identification, information or reporting requirement for exemption from, or reduction in the rate of, withholding to which it is entitled (*provided* that such declaration of non-residence or other claim, filing or requirement is required by the applicable law, treaty, regulation or official administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes);

(3) any Taxes, if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the holder (*provided* that notice of such payment is given to the holders or beneficial owners, as applicable), except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment made under or with respect to the Notes or any Guarantee;

(5) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("**Decree No. 461**") and any related implementing regulations, *provided* that:

   (a) Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of a Payor or its agents; and

   (b) for the avoidance of doubt, (1) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the "**White List**") and (2) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder or beneficial owner becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree No. 239, Decree No. 461 or any change in the White List;

(6) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(7) any Taxes payable under or imposed pursuant to Sections 1471 through 1474 of the Code, as of the date of this Offering Memorandum (or any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant thereto, and any intergovernmental agreements implementing the foregoing (including any legislation or other official guidance relating to such intergovernmental agreements); or

(8) any combination of the above.

Such Additional Amounts will also not be payable with respect to a noteholder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that

the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority of the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain and provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each relevant taxing authority of each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to the Trustee. If, notwithstanding the efforts of such Payor to obtain such receipts, the same are not obtainable, such Payor will provide the Trustee with other reasonable evidence. Such receipts or other evidence will be made available by the Trustee to holders on written reasonable request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes or any Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter).

The Trustee and the Paying Agent shall be entitled to rely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes, any Guarantee or this "Description of Notes" there is mention of, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or 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 as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and reimburse any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any related interest or penalties with respect thereto) that arise in any Relevant Taxing Jurisdiction from the execution, delivery, issuance, registration or enforcement of any Notes, the Indenture or any other document or instrument in relation thereto (other than, in each case, in connection with a transfer of the Notes after this offering and limited solely, in the case of such Taxes that arise from the receipt of any payments of principal or interest on the Notes, to any such Taxes that are not excluded under clauses (1) through (3) and (5) through (7)). The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a holder or beneficial owner and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes, or any jurisdiction from or through which any payment under or with respect to the Notes (or any Guarantee) is made by or on behalf of such payor, or otherwise considered to be a resident for tax purposes, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Mandatory Redemption

Except as set forth above under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*", the Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear, Clearstream or DTC, as applicable, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear, Clearstream or DTC, as applicable, or Euroclear, Clearstream or DTC, as applicable, prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

All notices to holders of the Notes will be validly given if mailed to them at their respective addresses in the register of holders, if any, maintained by the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear, Clearstream or DTC, as applicable, notices may be given by delivery of the relevant notices to Euroclear, Clearstream or DTC, as applicable, in substitution for the aforesaid mailing to holders of the Notes.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Change of Control

Upon the occurrence of a Change of Control after the Issue Date, each holder will have the right to require the Issuer to purchase all or any part of such holder's Notes at a purchase price in cash (the "**Change of Control Payment**") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the purchase date), except to the extent the Issuer has previously elected to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "**Change of Control Offer**") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or, if the Change of Control Offer is being made in advance of a Change of Control, that a Change of Control is expected to occur, and that such holder has, or upon such occurrence will have, the right to require the Issuer to

purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date falling prior to or on the purchase date);

(2) describing the circumstances and relevant facts regarding the transaction or transactions that constitute, or are expected to constitute, such Change of Control;

(3) stating that the purchase date (which shall be no earlier than 10 days nor later than 60 days (unless delivered in advance of the occurrence of such Change of Control) from the date such notice is delivered) (the "**Change of Control Payment Date**");

(4) stating that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date and stating that any Note not properly tendered will remain outstanding and continue to accrue interest;

(5) stating that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes; *provided* that the Paying Agent receives, not later than the expiration time of the Change of Control Offer, a telegram, telex, facsimile transmission or letter setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) that if a holder (other than a holder of a global note) is tendering for purchase less than all of its Notes, the Issuer will issue new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered and the unpurchased portion of the Notes must be equal to €100,000 or an integral multiple of €1,000 in excess thereof;

(8) stating that if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(9) the other instructions determined by the Issuer, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

While the Notes are in global form and the Issuer makes an offer to purchase all of the Notes pursuant to the Change of Control Offer, a holder of the Notes may exercise its option to elect for the purchase of the Notes to be made through the facilities of Euroclear, Clearstream or DTC, as applicable, in accordance with the rules and regulations thereof.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer. Additionally, the Issuer will not be required to make a Change of Control Offer if the Issuer has previously issued a notice of a full redemption pursuant to the provisions set forth under the heading "*—Optional Redemption*".

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of

Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under this paragraph by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law,

(1) accept for payment all Notes issued by the Issuer or portions thereof validly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered;

(3) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officer's Certificate to the Trustee stating that such Notes or portions thereof have been tendered to and purchased by the Issuer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the paying agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly deliver to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notices relating to a Change of Control on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

This Change of Control purchase provision is a result of negotiations between the Issuer and the Initial Purchasers. The Issuer has no present intention to engage in a transaction involving a Change of Control (other than the Transactions), although it is possible that the Issuer could decide to do so in the future. Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including asset sales, equity sales, acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Issuer's capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", "*—Certain Covenants—Liens*" and "*—Certain Covenants—Liens on Intellectual Property*." Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

Future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes as a result of a Change of Control. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing the Notes, the

Issuer could seek the consent of its lenders or investors to permit the purchase of the Notes or could attempt to refinance the borrowings or securities that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings or securities, the Issuer will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes after any applicable notice and lapse of time would constitute an Event of Default under the Indenture.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Additionally, the exercise by the holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Moreover, the Issuer's ability to pay cash to the holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases.

The definition of "Change of Control" includes a phrase relating to the sale, lease or transfer of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than one or more Permitted Holders. Although there is a body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to purchase its Notes as a result of a sale, lease or transfer of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain. See "*Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The term* "all or substantially all in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur"." In addition, the definition of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control, including the definition of "Change of Control", may be waived or modified at any time (including after a Change of Control) with the written consent of the holders of a majority in aggregate principal amount of the Notes then outstanding.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture. If on any date following the Issue Date (i) the Notes have achieved Investment Grade Status and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**"), the Issuer and its Restricted Subsidiaries will not be subject to the following covenants or provisions (collectively, the "**Suspended Covenants**"):

(1) "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Dividend and other Payment Restrictions affecting Subsidiaries*";

(4) "*—Asset Sales*";

(5) "*—Change of Control*";

(6) "*—Transactions with Affiliates*";

(7) "*—Impairment of Security Interests*";

(8) "*—Future Guarantors*";

(9) the second, third and fourth paragraphs of the definition of "Unrestricted Subsidiary"; and

(10) clause (4) of the first paragraph of "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*".

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") the Notes cease to have Investment Grade Status, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "**Suspension Period**." Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Cash Proceeds shall be reset at zero. With respect to Restricted Payments made after the Reversion Date, the amount of Restricted Payments made will be calculated as though the covenant described under "*—Limitation on Restricted Payments*" had been in effect prior to, but not during, the Suspension Period. No Subsidiary may be designated as an Unrestricted Subsidiary during the Suspension Period, unless such designation would have complied with the covenant described under "*—Limitation on Restricted Payments*" as if such covenant were in effect during such period. In addition, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (b)(ii) of the definition of "Permitted Debt." In addition, for purposes of the covenant described under "*—Transactions with Affiliates*", all agreements and arrangements entered into by the Issuer and any Restricted Subsidiary with an Affiliate of the Issuer during the Suspension Period prior to such Reversion Date will be deemed to have been entered pursuant to clause (16)(ii) of the second paragraph of *"—Transactions with Affiliates*", and for purposes of the covenant described under "*—Dividend and other Payment Restrictions affecting Subsidiaries*", all contracts entered into during the Suspension Period prior to such Reversion Date that contain any of the restrictions contemplated by such covenant will be deemed to have been entered pursuant to clause (1) of the second paragraph of "*—Dividend and other Payment Restrictions affecting Subsidiaries*". In addition, any Change of Control during such Suspension Period shall not require a Change of Control Offer during or after the Suspension Period; *provided* that if the public notice of an arrangement that could result in a Change of Control occurs during a Suspension Period and the Notes cease to have Investment Grade Status during the period commencing 90 days prior to such notice until the end of the 90 day period following such notice (which 90 day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by at least two of the Rating Agencies) then the Issuer shall be required to make a Change of Control Offer upon the Reversion Date.

During the Suspension Period, any reference in the definition of "Unrestricted Subsidiary" to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or any provision thereof shall be construed as if such covenant had remained in effect since the Issue Date and during the Suspension Period.

Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of any failure to comply with the Suspended Covenants during any Suspension Period and the Issuer and any Subsidiary of the Issuer will be permitted, without causing a Default or Event of Default or breach of any of the Suspended

Covenants (notwithstanding the reinstatement thereof) under the Indenture, to honor, comply with or otherwise perform any contractual commitments or obligations entered into during a Suspension Period following a Reversion Date and to consummate the transactions contemplated thereby; *provided* that, to the extent any such commitment or obligation results in the making of a Restricted Payment, such Restricted Payment shall be made under clause (c) of the first paragraph or the second paragraph of the covenant described under "*—Limitation on Restricted Payments*" and if not permitted by any of such provisions, such Restricted Payment shall be deemed permitted under clause (c) of the first paragraph of the covenant described under "*—Limitation on Restricted Payments*" and shall be deducted for purposes of calculating the amount pursuant to such clause (c) (so that the amount available under such clause (c) immediately following such Restricted Payment shall be negative).

The Issuer shall notify the Trustee indicating the occurrence of any Covenant Suspension Event or Reversion Date. The Trustee will have no obligation to (i) independently determine or verify if such events have occurred, (ii) make any determination regarding the impact of actions taken during the Suspension Period on the Issuer and its Restricted Subsidiaries' future compliance with their covenants or (iii) notify the holders of any Covenant Suspension Event or Reversion Date; *provided* that, no such notification shall be a condition for the suspension or reversion of the covenants described hereunder to be effective. There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock, and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided*, *however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock and any Restricted Subsidiary may issue shares of Preferred Stock if on the date of such Incurrence or issuance and after giving effect thereto on a Pro Forma Basis (including application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been 2.00 to 1.00 or greater; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Debt Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 5.50 to 1.00; *provided*, *further*, that the aggregate amount of Indebtedness (including Acquired Indebtedness) Incurred and Disqualified Stock or Preferred Stock issued pursuant to the foregoing by Non-Guarantor Subsidiaries shall not exceed the greater of (x) €60 million and (y) 44.5% of Consolidated EBITDA, at any one time outstanding.

The foregoing limitations will not apply to (collectively, "**Permitted Debt**"):

(a) the Incurrence or issuance by the Issuer or its Restricted Subsidiaries of Indebtedness or Disqualified Stock or the issuance by its Restricted Subsidiaries of Preferred Stock under any Credit Agreement, the guarantees thereof and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate outstanding principal amount or liquidation preference, if applicable, (i) not to exceed the greater of (x) €130 million and (y) 100% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(b) (i) the Incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (not including any Additional Notes) and the Guarantees thereof, and any related "parallel debt" obligations related to the Notes and the Guarantees under the Intercreditor Agreement or any Additional Intercreditor Agreement and the Security Documents as well as "parallel debt" obligations related to any other Indebtedness permitted to be Incurred

pursuant to the Indenture; (ii) any Indebtedness and Disqualified Stock of the Issuer and its Restricted Subsidiaries and Preferred Stock of its Restricted Subsidiaries existing on the Completion Date (excluding Indebtedness described in clause (a) or (b)(i) above that is Incurred or existing (or deemed to be Incurred or existing) on the Completion Date or any Reversion Date), but, for the avoidance of doubt, including all Capitalized Lease Obligations existing on the Completion Date or Reversion Date); (iii) Indebtedness Incurred in respect of Management Advances; and (iv) any loan or other instrument constituting Indebtedness Incurred by the Issuer or any Restricted Subsidiary and owing to the Issuer or any other Restricted Subsidiary that is subordinated in right of payment to the Notes and the Guarantees in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement contributing the proceeds of the Notes;

(c) Indebtedness (including, without limitation, Capitalized Lease Obligations and mortgage financings as purchase money obligations) Incurred by the Issuer or any of its Restricted Subsidiaries, Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any of its Restricted Subsidiaries to finance all or any part of the purchase, lease, construction, installation, repair or improvement of property (real or personal), plant or equipment or other fixed or capital assets (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) and Indebtedness, Disqualified Stock or Preferred Stock arising from the conversion of the obligations of the Issuer or any Restricted Subsidiary under or pursuant to any "synthetic lease" transactions to on-balance sheet Indebtedness of the Issuer or such Restricted Subsidiary, in an aggregate principal amount or liquidation preference, including all Indebtedness Incurred and Disqualified Stock or Preferred Stock issued to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (c), not to exceed the greater of (x) €35 million and (y) 26% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (c) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness, Disqualified Stock or Preferred Stock Incurred pursuant to this clause (c) shall cease to be deemed Incurred or outstanding pursuant to this clause (c) but shall be deemed Indebtedness Incurred and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness, Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(d) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit or bank guarantees or similar instruments issued in the ordinary course of business, including, without limitation, (i) letters of credit or performance or surety bonds in respect of workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance or self-insurance, or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance and (ii) guarantees of Indebtedness Incurred by customers in connection with the purchase or other acquisition of equipment or supplies in the ordinary course of business;

(e) the Incurrence of Indebtedness, Disqualified Stock or Preferred Stock arising from agreements of the Issuer or its Restricted Subsidiaries providing for customary guarantees, indemnification, earn-outs, adjustment of purchase or acquisition price or similar obligations, in each case, Incurred in connection with the Transactions or with the acquisition or disposition of any business, assets or a Subsidiary of the Issuer in accordance with the terms of the Indenture, other than guarantees of Indebtedness Incurred or Disqualified Stock or

Preferred Stock issued by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(f) Indebtedness or Disqualified Stock of the Issuer to a Restricted Subsidiary; *provided* that (x) such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or Cash Management Services or tax positions of the Issuer and its Restricted Subsidiaries) or Disqualified Stock owing to a Non-Guarantor Subsidiary, to the extent legally permitted, shall be subordinated in right of payment to the Issuer's Obligations with respect to the Indenture or the Guarantee of the Guarantors with respect to the Obligations under the Indenture and (y) any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness or Disqualified Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness or an issuance of such Disqualified Stock not permitted by this clause (f);

(g) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (g);

(h) Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary; *provided* that (x) if a Guarantor Incurs such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or Cash Management Services or tax positions of the Issuer and its Restricted Subsidiaries), Disqualified Stock or Preferred Stock owing to a Non-Guarantor Subsidiary, such Indebtedness, Disqualified Stock or Preferred Stock is, to the extent legally permitted, subordinated in right of payment to the Issuer's Obligations with respect to the Indenture or the Guarantee of such Guarantor, as applicable and (y) any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary lending such Indebtedness, Disqualified Stock or Preferred Stock ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness, Disqualified Stock or Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness, Disqualified Stock or Preferred Stock not permitted by this clause (h);

(i) Swap Contracts or Cash Management Services other than for speculative purposes;

(j) obligations (including reimbursement obligations with respect to letters of credit or bank guarantees or similar instruments) in respect of customs, self-insurance, performance, indemnity, bid, appeal and surety bonds, advance payment, VAT or other tax guarantees or other similar bonds, instruments or obligation and completion guarantees and warranties and similar obligations provided by the Issuer or any Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement;

(k) Indebtedness or Disqualified Stock of the Issuer or any of its Restricted Subsidiaries and Preferred Stock of any of its Restricted Subsidiaries in an aggregate principal amount or liquidation preference that, when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (k), does not exceed the greater of (x) €75 million and (y) 55.5% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (k) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued

pursuant to this clause (k) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (k) but shall be deemed Indebtedness Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(l) (i) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness, Disqualified Stock, Preferred Stock or other obligations of the Issuer or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness, Disqualified Stock, Preferred Stock or other obligations by the Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture; *provided* that, if the Indebtedness being guaranteed is subordinated or *pari passu* with a Guarantee, then the guarantee of such Indebtedness shall be subordinated or *pari passu* to the same extent as the Indebtedness being guaranteed; or (ii) without limiting the covenant described under "*—Liens*" or "*—Liens on Intellectual Property*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(m) Refinancing Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries in respect of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued under the first paragraph of this covenant or permitted under clause (b), this clause (m), clause (n) or clause (q) of this paragraph or subclause (y) of each of clauses (c), (k), (s), (bb) or (cc) of this paragraph (*provided* that any amounts Incurred under this clause (m) as Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to subclause (y) of any of these clauses shall reduce the amount available under such subclause (y) of such clause so long as such Refinancing Indebtedness remains outstanding) or any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to so refund, replace, refinance, redeem, repurchase, retire or defease such Indebtedness, Disqualified Stock or Preferred Stock, *plus* any additional Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to pay accrued and unpaid interest and any Refinancing Expenses;

(n) (A) Indebtedness, Disqualified Stock or Preferred Stock (i) of the Issuer or any of its Restricted Subsidiaries Incurred or assumed in connection with an acquisition of any assets (including Capital Stock), business or Person or any similar Investment and (ii) of any Person that is acquired by the Issuer or any of its Restricted Subsidiaries or merged into or consolidated or amalgamated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture and (B) Indebtedness Incurred or Disqualified Stock or Preferred Stock issued or, in each case, assumed in anticipation of, or in connection with, an acquisition of any assets, business or Person; *provided*, *however*, that after giving *pro forma* effect to such acquisition, merger, consolidation or amalgamation or similar Investment and the Incurrence of such Indebtedness, Disqualified Stock or Preferred Stock, either:

(1) (a) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Issuer is equal to or greater than such ratio immediately prior to giving *pro forma* effect to such acquisition, merger, consolidation or amalgamation or similar Investment; and

(2) to the extent that the Indebtedness Incurred under this clause (n) constitutes Senior Secured Indebtedness, either: (a) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the Consolidated Senior Secured Net Debt Ratio in first paragraph of this covenant; or (b) the Consolidated Senior Secured Net Debt Ratio for the Issuer would be equal to or less than it was immediately prior to giving *pro forma* effect to such acquisition, merger, consolidation, amalgamation or similar Investment;

(o) Indebtedness, Disqualified Stock or Preferred Stock arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

(p) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to any credit facility permitted under the Indenture, so long as such letter of credit has not been terminated and is in a principal amount not in excess of the stated amount of such letter of credit or bank guarantee;

(q) Contribution Indebtedness;

(r) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(s) Indebtedness, Disqualified Stock or Preferred Stock of Non-Guarantor Subsidiaries in an aggregate principal amount or liquidation preference, as applicable, not to exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (s) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (s) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (s) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which such Non-Guarantor Subsidiary could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock under the first paragraph of this covenant (to the extent such Non-Guarantor Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(t) Indebtedness, Disqualified Stock or Preferred Stock of a joint venture to the Issuer or a Restricted Subsidiary and to the other holders of Equity Interests or participants of such joint venture, so long as the percentage of the aggregate amount of such Indebtedness, Disqualified Stock or Preferred Stock of such joint venture owed to such holders of its Equity Interests or participants of such joint venture does not exceed the percentage of the aggregate outstanding amount of the Equity Interests of such joint venture held by such holders or such participant's participation in such joint venture;

(u) Indebtedness (i) Incurred or Disqualified Stock or Preferred Stock issued in a Qualified Receivables Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings) or (ii) constituting factoring (including, but not limited to, Recourse Factoring or Securitization), securitizations or similar arrangements in an aggregate principal outstanding amount not to exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA outstanding at any time;

(v) Indebtedness owed or Disqualified Stock or Preferred Stock issued on a short-term basis to banks and other financial institutions in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements, including cash management, cash pooling arrangements and related activities to manage cash balances of the Issuer and its Subsidiaries and joint ventures including treasury, depository, overdraft, credit, purchasing or debit card, electronic funds transfer and other cash management arrangements and Indebtedness in respect of netting services, overdraft protection, credit card programs, automatic clearinghouse arrangements and similar arrangements;

(w) Indebtedness, Disqualified Stock or Preferred Stock consisting of Indebtedness, Disqualified Stock or Preferred Stock issued by the Issuer or any Restricted Subsidiary to future, current or

former officers, directors, managers, employees, consultants and independent contractors thereof or any direct or indirect parent thereof, their respective estates, heirs, family members, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any direct or indirect parent of the Issuer to the extent permitted under "*—Limitation on Restricted Payments*";

(x) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(y) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any Restricted Subsidiary or Preferred Stock issued by any of the Issuer's Restricted Subsidiaries in connection with bankers' acceptances, discounted bills of exchange, warehouse receipts or similar facilities or the discounting or factoring of receivables for credit management purposes, in each case Incurred or undertaken in the ordinary course of business;

(z) Indebtedness Incurred or Disqualified Stock issued by the Issuer or any Restricted Subsidiary or Preferred Stock issued by any of its Restricted Subsidiaries to the extent that the net proceeds thereof are promptly deposited with the Trustee to satisfy and discharge the Notes in accordance with the Indenture;

(aa) (i) guarantees Incurred in the ordinary course of business in respect of obligations to suppliers, customers, franchisees, lessors, licensees, sub-licensees and distribution partners and (ii) Indebtedness Incurred by the Issuer or a Restricted Subsidiary as a result of leases entered into by the Issuer or such Restricted Subsidiary or any direct or indirect parent of the Issuer in the ordinary course of business;

(bb) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued on behalf, or representing guarantees of Indebtedness Incurred or Disqualified Stock or Preferred Stock issued by, joint ventures; *provided* that the aggregate principal amount or liquidation preference, as applicable, of Indebtedness Incurred or guaranteed or Disqualified Stock or Preferred Stock issued or guaranteed pursuant to this clause (bb) does not exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA, at any one time outstanding, *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (bb) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (bb) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (bb) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary could have Incurred or guaranteed such Indebtedness or issued or guaranteed such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(cc) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary Incurred to finance or assumed in connection with an acquisition of any assets (including Capital Stock), business or Person in an aggregate principal amount or liquidation preference that does not exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA, at any one time outstanding *plus*, in the case of any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock permitted under this clause (cc) or any portion thereof, any Refinancing Expenses (it being understood that any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (cc) shall cease to be deemed Incurred, issued or outstanding pursuant to this clause (cc) but shall be deemed Incurred or issued and outstanding under the first paragraph of this covenant from and after the first date on which the Issuer or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness or issued such Disqualified Stock or Preferred Stock as Indebtedness under the first paragraph of this covenant (to the extent the Issuer or such

Restricted Subsidiary is able to Incur any Liens related thereto as Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, as applicable, after such reclassification));

(dd) Indebtedness, Disqualified Stock or Preferred Stock consisting of obligations of the Issuer or any Restricted Subsidiary under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions or any Permitted Investment; and

(ee) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent that they are permitted to remain unfunded under applicable law.

For purposes of determining compliance with this covenant, (1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred or issued under the first paragraph of this covenant, the Issuer shall, in its sole discretion, at the time of Incurrence or issuance, divide, classify or reclassify, or at any later time divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this covenant, *provided* that all Indebtedness under the Revolving Credit Facility Agreement outstanding on the Completion Date shall be deemed to have been Incurred pursuant to clause (a) of the definition of "Permitted Debt" and the Issuer shall not be permitted to reclassify all or any portion of Indebtedness outstanding on the Completion Date pursuant to clause (a) of the definition of "Permitted Debt"; (2) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included; (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Agreement and are being treated as Incurred pursuant to the first or second paragraphs above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included; (4) the amount of Indebtedness that may be Incurred or Disqualified Stock or Preferred Stock that may be issued pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Liens*'' and "*—Liens on Intellectual Property*" in any case where such amounts are or may be based on Consolidated EBITDA (or any ratio of which Consolidated EBITDA is a component), shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness, Disqualified Stock or Preferred Stock and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue); (5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof; (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; (7) for the purposes of determining "Consolidated EBITDA", Consolidated EBITDA of the Issuer and its Restricted Subsidiaries will be calculated on a Pro Forma Basis; (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and (9) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (23) of the definition of "Permitted Liens'', any Permitted Collateral Lien or any Permitted Intellectual Property Liens, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Total Net Debt Ratio or the Consolidated Senior Secured Net Debt Ratio, as applicable, or use of clauses (a) through (ee) of the preceding paragraph (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of

credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Total Net Debt Ratio or the Consolidated Senior Secured Net Debt Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under the covenants described under "*—Liens*" and "*—Liens on Intellectual Property*", irrespective of the Fixed Charge Coverage Ratio, Consolidated Total Net Debt Ratio, Consolidated Senior Secured Net Debt Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "**Reserved Indebtedness Amount**" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Total Net Debt Ratio, Consolidated Senior Secured Net Debt Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (a) through (ee) of the preceding paragraph (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest or dividends in the form of additional Indebtedness with the same terms, the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of Disqualified Stock or Preferred Stock of the same class, the accretion of liquidation preference and increases in the amount of Indebtedness, Disqualified Stock or Preferred Stock outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness or issuance of Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided* that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness or the issuance of Disqualified Stock or Preferred Stock, the Euro Equivalent of the principal amount or liquidation preference, as applicable, of Indebtedness, Disqualified Stock or Preferred Stock denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was committed or Incurred, in the case of term debt, or, at the option of the Issuer, first committed or first Incurred (whichever yields the lower Euro Equivalent), in the case of revolving credit debt or debt financing to fund an acquisition, or first issued in the case of Disqualified Stock or Preferred Stock; *provided* that; (a) if such Indebtedness, Disqualified Stock or Preferred Stock is Incurred to refinance other Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded, so long as the principal amount or liquidation preference, as applicable, of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount or

liquidation preference, as applicable, of any such Indebtedness outstanding on the Issue Date (with reference to the Issuer) or the Completion Date (with reference to the Target Group) (as applicable) shall be calculated based on the relevant currency exchange rate in effect on the Issue Date (with reference to Indebtedness of the Issuer) or the Completion Date (with reference to Indebtedness of the Target Group) (as applicable); and (c) if any such Indebtedness that is denominated in a different currency is subject to a Swap Contract (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount or liquidation preference, as applicable, of any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to refinance other Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, if Incurred or issued in a different currency from the Indebtedness, Disqualified Stock or Preferred Stock being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness, Disqualified Stock or Preferred Stock is denominated that is in effect on the date of such refinancing.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests, including any payment made in connection with any merger, amalgamation or consolidation involving the Issuer (other than (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) or in options, warrants or other rights to purchase such Equity Interests of the Issuer or in Subordinated Shareholder Funding; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent of the Issuer, including in connection with any merger, amalgamation or consolidation;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness of the Issuer or any Guarantor (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness of either of the Issuer or any Guarantor in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement and (B) Indebtedness permitted under clause (b)(iv), (f) or (h) of the definition of "Permitted Debt"); or

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any

Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (5) above being collectively referred to as "**Restricted Payments**"), unless, at the time of such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) immediately after giving effect to such transaction on a Pro Forma Basis, the Issuer could Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted by clause (1) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum of, without duplication,

(1) (i) €25 million *plus* (ii) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case that such Consolidated Net Income for such period is a deficit, *minus* 100% of such deficit, *plus*

(2) 100% of the aggregate net proceeds, including cash and the Fair Market Value of property, assets (other than cash) or marketable securities, received by the Issuer after the Issue Date from the issue or sale of Equity Interests of the Issuer or Subordinated Shareholder Funding or otherwise contributed to the equity of the Issuer (other than Excluded Equity), including such Equity Interests issued upon exercise of warrants or options, *plus*

(3) 100% of the aggregate amount of contributions to the capital of the Issuer received in cash and the Fair Market Value of property, assets (other than cash) or marketable securities or from the issuance or sale by the Issuer or any Restricted Subsidiary of any Indebtedness that has been converted into or exchanged for Equity Interests of the Issuer or Subordinated Shareholder Funding (plus the amount of any cash, and the Fair Market Value of property or assets (other than cash) or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange), in each case, after the Issue Date (other than Excluded Equity), *plus*

(4) the principal amount of any Indebtedness, or the liquidation preference or Maximum Fixed Repurchase Price, as the case may be, of any Disqualified Stock, in each case, of the Issuer or any Restricted Subsidiary thereof issued after the Issue Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) that, in each case, has been converted into or exchanged for Equity Interests in the Issuer or any direct or indirect parent of the Issuer (other than Excluded Equity), *plus*

(5) 100% of the aggregate amount received by the Issuer or any Restricted Subsidiary in cash and the Fair Market Value of property, assets (other than cash) received by the Issuer or any Restricted Subsidiary (less any amounts distributed as Total Leverage Excess Proceeds) from:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments made by the Issuer and its Restricted

Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Issuer and its Restricted Subsidiaries by any Person (other than the Issuer or any of its Restricted Subsidiaries) and from repayments of loans or advances that constituted Restricted Investments,

(B) the sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) of the Equity Interests of an Unrestricted Subsidiary, and

(C) any distribution or dividend from an Unrestricted Subsidiary, *plus*

(6) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary, in each case after the Issue Date, the Fair Market Value of the Investment of the Issuer in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable), other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (19) of the next succeeding paragraph or constituted a Permitted Investment, *plus*

(7) the aggregate amount of Retained Declined Proceeds since the Issue Date (to the extent holders were provided notice in connection with the Asset Sale Offer related thereto that any Excess Proceeds not accepted by the holders shall constitute Retained Declined Proceeds and such Retained Declined Proceeds will increase the amount available for Restricted Payments under clause (c) of this first paragraph of this covenant to the extent not otherwise applied in accordance with clause (11) of the next paragraph);

Notwithstanding the foregoing, any amounts (such amounts, the "**Excluded Amounts**") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to subclause (2) or (3) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of net cash proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose and effect of the receipt of such net cash proceeds or property or assets or marketable securities was to reduce the Consolidated Total Net Debt Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Indenture; *provided* that, Excluded Amounts shall be limited to the amount of net cash proceeds or property or assets or marketable securities necessary to reduce the Consolidated Total Net Debt Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of net cash proceeds or property or assets or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The foregoing provisions will not prohibit:

(1) the payment of any dividend or distribution or consummation of any redemption within 60 days after the date of declaration thereof or the giving of a redemption notice related thereto, if at the date of declaration or notice such payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, retirement or other acquisition of any Equity Interests ("**Retired Capital Stock**") of the Issuer or any direct or indirect parent of the Issuer, or Subordinated Indebtedness of the Issuer or any Guarantor, in exchange for, or out of the proceeds of the issuance or sale of, Equity Interests of the Issuer or any direct or indirect parent of the Issuer or contributions to the equity capital of the Issuer (other than Excluded Equity) (collectively, including any such contributions, "**Refunding Capital Stock**");

(b) the declaration and payment of accrued dividends on the Retired Capital Stock out of the proceeds of the issuance or sale (other than to a Restricted Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Restricted Subsidiaries) of Refunding Capital Stock; and

(c) if immediately prior to the retirement of the Retired Capital Stock, the declaration and payment of dividends thereon was permitted pursuant to this covenant and has not been made as of such time (the "**Unpaid Amount**"), the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of the Issuer or any direct or indirect parent of the Issuer) in an aggregate amount no greater than the Unpaid Amount;

(3) the prepayment, redemption, defeasance, repurchase or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the proceeds of the Incurrence of, Refinancing Indebtedness thereof;

(4) the purchase, retirement, redemption or other acquisition (or Restricted Payments to the Issuer or any direct or indirect parent of the Issuer to finance any such purchase, retirement, redemption or other acquisition) for value of Equity Interests (including related stock appreciation rights or similar securities) of the Issuer or any direct or indirect parent of the Issuer held directly or indirectly by any future, present or former employee, officer, director, manager, consultant or independent contractor of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer or their estates, heirs, family members, spouses or former spouses or permitted transferees (including for all purposes of this clause (4), Equity Interests held by any entity whose Equity Interests are held by any such future, present or former employee, officer, director, manager, consultant or independent contractor or their estates, heirs, family members, spouses or former spouses or permitted transferees) pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement or any stock subscription or shareholder or similar agreement; *provided*, *however*, that the aggregate amounts paid under this clause (4) shall not exceed (x) €10 million in any calendar year or (y) subsequent to the consummation of any Public Offering of Equity Interests of the Issuer or any direct or indirect parent of the Issuer, €15 million in any calendar year (in each case, with unused amounts in any calendar year being permitted to be carried over for the next two succeeding calendar years); *provided*, *further*, *however*, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Issuer from the issuance or sale of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer), in each case, to any future, present or former employees, officers, directors, managers, consultants or independent contractors of the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer that occurs on or after the Issue Date, other than in connection with, or pursuant to the Equity Contribution; *provided* that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of this covenant; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) after the Issue Date; *plus*

(c) the amount of any cash bonuses otherwise payable to employees, officers, directors, managers, consultants or independent contractors of the Issuer or its Restricted Subsidiaries or any direct or indirect parent of the Issuer that are foregone in return for the receipt of Equity Interests; less

(d) the amount of cash proceeds described in subclause (a), (b) or (c) of this clause (4) previously used to make Restricted Payments pursuant to this clause (4); *provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by subclauses (a), (b) and (c) above in any calendar year; *provided*, *further*, that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, current or former officer, director, employee, manager, consultant or independent contractor (or any permitted transferees thereof) of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent of the Issuer, in connection with a repurchase of Equity Interests of the Issuer or any direct or indirect parent of the Issuer from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(5) (i) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries and any class or series of Preferred Stock of any Restricted Subsidiaries and (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or any Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or Preferred Stock of the Issuer or any Restricted Subsidiary, in each case, issued or Incurred in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) and the declaration and payment of dividends to the Issuer or any direct or indirect parent of the Issuer, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of the Issuer or any direct or indirect parent of the Issuer issued after the Issue Date; *provided*, *however*, that (A) immediately preceding the date of issuance of such Designated Preferred Stock, the Fixed Charge Coverage Ratio of the Issuer, calculated on a Pro Forma Basis, is 2.00 to 1.00 or greater and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds contributed in cash to the equity of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the sale of Designated Preferred Stock;

(7) (A) Restricted Payments made in connection with the consummation of the Transactions, including any dividends, payments or loans made to the Issuer or any direct or indirect parent of the Issuer to enable it to make any such payments and (B) on or after the date that is six months after the Completion Date, any Restricted Payments in an aggregate amount not to exceed, in the case of this clause 7(B), the Specified Sponsors Overfunding Amount;

(8) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Holdings Entity or any direct or indirect parent of the Issuer following a Public Offering of such Capital Stock, common stock or common equity interests; *provided* that the aggregate amount of all such dividends or distributions shall not exceed in any fiscal year the greater of: (a) 7% of the cash proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any direct or indirect parent of the Issuer in any form other than Indebtedness or Excluded Contributions; and (b) following an Initial Public Offering, an amount equal to (i) where, after giving *pro forma* effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Debt Ratio shall be equal to or less than 4.75 to 1.0, the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; and (ii) where, after giving *pro forma* effect to such dividends, distributions, cash payments, loans or expense reimbursements, the Consolidated Total Net Debt Ratio shall be greater than 4.75 to 1.0, but equal to or less than

5.00 to 1.0, the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization;

(9) Restricted Payments that are made with (i) Excluded Contributions or (ii) Investments in exchange for or using as consideration Investments previously made under this clause (9) and, in the case of subclause (ii), where such exchange or consideration is at Fair Market Value;

(10) Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (10) not to exceed the greater of (x) €40 million and (y) 29.75% of Consolidated EBITDA;

(11) the payment, purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness, Disqualified Stock or Preferred Stock of the Issuer and its Restricted Subsidiaries pursuant to provisions similar to those described under "*—Change of Control*" and "*—Asset Sales*"*; provided* that, prior to such payment, purchase, redemption, defeasance or other acquisition or retirement for value, the Issuer (or a third party to the extent permitted by the Indenture) have made any Change of Control Offer or Asset Sale Offer, as the case may be, with respect to the Notes, and have repurchased, redeemed, defeased, acquired or retired all Notes validly tendered and not validly withdrawn in connection with such Change of Control Offer or Asset Sale Offer, as the case may be;

(12) for so long as the Issuer or any of its Subsidiaries are members of a group filing a consolidated, combined, affiliated or unitary income (or franchise in lieu of income) tax return with any Holdings Entity or any other direct or indirect parent of the Issuer, Restricted Payments, directly or indirectly, to any Holdings Entity or such other direct or indirect parent of the Issuer in amounts required for such Holdings Entity or such other parent entity to pay federal, national, non-U.S., state and local income taxes (and franchise taxes or other similar taxes imposed in lieu of income taxes) imposed on such entity to the extent such taxes are attributable to the Issuer and its Subsidiaries; *provided*, *however*, that the amount of such payments in respect of any tax year does not, in the aggregate, exceed the amount that the Issuer and its Subsidiaries that are members of such consolidated, combined, affiliated or unitary group would have been required to pay in respect of federal, national, non-U.S., state and local income and/or franchise taxes (as the case may be) in respect of such year if the Issuer and its Subsidiaries paid such income (and franchise) taxes directly on a separate company basis or as a stand-alone consolidated, combined, affiliated or unitary income (or similar) tax group (reduced by any such taxes paid directly by the Issuer or any Subsidiary);

(13) the declaration and payment of dividends, other distributions or other amounts to, or the making of loans to any Holdings Entity or any other direct or indirect parent of the Issuer, in the amount required for such entity to, if applicable:

(a) pay amounts equal to the amounts required for any Holdings Entity or any other direct or indirect parent of the Issuer to pay fees and expenses (including Related Taxes), customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers, employees, directors, managers, consultants or independent contractors of any such Holdings Entity or any other direct or indirect parent of the Issuer, if applicable, and general corporate operating (including, without limitation, expenses related to auditing and other accounting matters) and overhead costs and expenses of the Issuer or any direct or indirect parent of the Issuer, if applicable, in each case to the extent such fees, expenses, salaries, bonuses, benefits and indemnities are attributable to the ownership or operation of the Issuer and its Subsidiaries;

(b) pay, if applicable, amounts equal to amounts required for any Holdings Entity or any other direct or indirect parent of the Issuer to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Issuer (other than as Excluded Equity) and that has been guaranteed by, and is otherwise considered Indebtedness of, the Issuer or any Restricted Subsidiary Incurred in accordance with the

covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (except to the extent any such payments have otherwise been made by any such guarantor);

(c) pay fees and expenses incurred by any Holdings Entity or any other direct or indirect parent of the Issuer related to (i) the maintenance of such parent entity of its corporate or other entity existence and performance of its obligations under the Indenture and similar obligations under any Credit Agreement, (ii) any unsuccessful equity or debt offering of such parent entity (or any debt or equity offering from which such parent does not receive any proceeds), (iii) any equity or debt issuance, incurrence or offering, any disposition or acquisition or any investment transaction by the Issuer or any of its Restricted Subsidiaries (or any acquisition of or investment in any business, assets or property that will be contributed to the Issuer or any of its Restricted Subsidiaries as part of the same or a related transaction) permitted by the Indenture; and (iv) (in the case of this subclause (c)(iv)) extraordinary items not exceeding the greater of €3 million and 2.25% of Consolidated EBITDA per calendar year;

(d) pay franchise and excise taxes and other fees, taxes (including Related Taxes) and expenses in connection with any ownership of the Issuer or any of its Subsidiaries or required to maintain their organizational existences;

(e) make payments for the benefit of the Issuer or any of its Restricted Subsidiaries to the extent such payments could have been made by the Issuer or any of its Restricted Subsidiaries because such payments (x) would not otherwise be Restricted Payments and (y) would be permitted by the covenant described under "*—Transactions with Affiliates*"; and

(f) make Restricted Payments to any direct or indirect parent of the Issuer to finance, or to any direct or indirect parent of the Issuer for the purpose of paying to any other direct or indirect parent of the Issuer to finance, any Investment that, if consummated by the Issuer or any Restricted Subsidiary, would be a Permitted Investment; *provided* that (a) such Restricted Payment is made substantially concurrently with the closing of such Investment, (b) promptly following the closing thereof, such direct or indirect parent of the Issuer causes (i) all property acquired (whether assets or Equity Interests) to be contributed to the Issuer or any Restricted Subsidiary or (ii) the merger, consolidation or amalgamation (to the extent permitted by the covenant described under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*") of the Person formed or acquired into the Issuer or any Restricted Subsidiary in order to consummate such acquisition or Investment, in each case, in accordance with the requirements of the covenant described under "*—Future Guarantors*"; and (c) such direct or indirect parent and its Affiliates (other than the Issuer and its Restricted Subsidiaries) receives no consideration or other payment in connection with such transaction except to the extent to the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture;

(14) (i) repurchases of Equity Interests of the Issuer or any direct or indirect parent of the Issuer deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants, (ii) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable or expected to be payable by any future, present or former director, officer, employee, manager, consultant or independent contractor of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer (or their respective Affiliates, estates or immediate family members) in connection with the exercise of stock options or the grant, vesting or delivery of Equity Interests of the Issuer or any direct or indirect parent of the Issuer and (iii) loans or advances to officers, directors, employees, managers, consultants and independent contractors of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer in connection with such Person's purchase of Equity Interests of the

Issuer or any direct or indirect parent of the Issuer; *provided* that no cash is actually advanced pursuant to this subclause (iii) other than to pay taxes due in connection with such purchase, unless immediately repaid;

(15) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization and the payment or distribution of Receivables Fees;

(16) payments or distributions to satisfy dissenters' rights, pursuant to or in connection with a consolidation, merger, amalgamation or transfer of assets that complies with the provisions of the Indenture;

(17) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries;

(18) the payment of cash in lieu of the issuance of fractional shares of Equity Interests in connection with any merger, consolidation, amalgamation or other business combination, or in connection with any dividend, distribution or split of or upon exercise, conversion or exchange of Equity Interests, warrants, options or other securities exercisable or convertible into, Equity Interests of the Issuer or any direct or indirect parent of the Issuer;

(19) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding, without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash, Cash Equivalents or marketable securities, not to exceed the greater of (x) €15 million and (y) 11.25% of Consolidated EBITDA (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(20) the making of payments, directly or indirectly, (i) to any Initial Investor pursuant to or contemplated by any Management Agreement; (ii) to or on behalf of any Initial Investor for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments in the case of clause (ii) are (x) made pursuant to agreements with any Initial Investor or (y) are approved in respect of such activities by a majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith; and (iii) (in the case of this clause (20)(iii)), to the Initial Investors not exceeding the greater of (x) €5 million and (y) 3.75% of Consolidated EBITDA per calendar year;

(21) any Restricted Payment so long as immediately after giving *pro forma* effect to the making of such Restricted Payment, the Issuer's Consolidated Total Net Debt Ratio does not exceed 4.50 to 1.00;

(22) payments, dividends or distributions with any Total Leverage Excess Proceeds;

(23) any payment that is intended to prevent any Indebtedness from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code; and

(24) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity of the Issuer (other than Excluded Equity);

provided, *however*, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (7)(B), (10), (21) and (22), no Event of Default shall have occurred and be continuing or would occur as a consequence thereof. For purposes of clauses (12) and (13) above,

taxes and Related Taxes shall include all interest and penalties with respect thereto and all additions thereto.

As of the Issue Date, the Issuer will not have any Subsidiaries. As of the Completion Date, all of the Issuer's Subsidiaries are expected to be Restricted Subsidiaries. The Issuer will not permit any Restricted Subsidiary to become an Unrestricted Subsidiary, or any Unrestricted Subsidiary to become a Restricted Subsidiary, except pursuant to the definition of "Unrestricted Subsidiary". For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments or Permitted Investments in an amount determined as set forth in the last sentence of the definition of "Investments". Such designation will only be permitted if a Restricted Payment or Permitted Investment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

For purposes of the covenant described above, if any Investment or Restricted Payment (or a portion thereof) would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Investments", the Issuer may divide and classify such Investment or Restricted Payment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify any such Investment or Restricted Payment so long as the Investment or Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification; *provided* that any Restricted Payment made in reliance on clause (7)(B) above shall not be permitted to be reclassified as made pursuant to any other provision described above and shall be deemed at all times to have been made in reliance on such clause (7)(B).

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or any Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Dividend and other Payment Restrictions affecting Subsidiaries

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries (other than the Guarantors) to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary (other than the Guarantors) to:

(a) (i) pay dividends or make any other distributions to the Issuer or any of its Restricted Subsidiaries on its Capital Stock; or (ii) pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(b) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries,

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) (a) contractual encumbrances or restrictions of the Issuer or any of its Restricted Subsidiaries in effect on the Issue Date and Indebtedness permitted pursuant to clause (c) of the definition of "Permitted Debt", including the Indenture, the Notes, the Guarantees, any Credit Agreement (including the Revolving Credit Facility Agreement), the Security Documents the Intercreditor Agreement, any Additional Intercreditor Agreement and any other documents relating to the Indenture, the Notes and the Revolving Credit Facility Agreement, including the Notes Documents; (b) contractual encumbrances or restrictions of the Target Group in effect at the Completion Date;

(2) applicable law or any applicable rule, regulation or order or required by any regulatory authority;

(3) any agreement or other instrument of a Person acquired by or merged, amalgamated or consolidated with or into the Issuer or any Restricted Subsidiary or an Unrestricted Subsidiary that is designated a Restricted Subsidiary that was in existence at the time of such acquisition (or at the time it merges with or into the Issuer or any Restricted Subsidiary or assumed in connection with the acquisition of assets from such Person (but, in each case, not created in contemplation thereof)), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired or designated; *provided* that in connection with a merger, amalgamation or consolidation under this clause (3), if a Person other than the Issuer or such Restricted Subsidiary is the successor company with respect to such merger, amalgamation or consolidation, any agreement or instrument of such Person or any Subsidiary of such Person, shall be deemed acquired or assumed, as the case may be, by the Issuer or such Restricted Subsidiary, as the case may be, at the time of such merger, amalgamation or consolidation;

(4) customary encumbrances or restrictions contained in contracts or agreements for the sale of assets applicable to such assets pending consummation of such sale, including customary restrictions with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary;

(5) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(6) customary provisions in operating or other similar agreements, asset sale agreements and stock sale agreements entered into in connection with the entering into of such transaction, which limitation is applicable only to the assets that are the subject of those agreements;

(7) purchase money obligations for property acquired and Capitalized Lease Obligations, to the extent such obligations impose restrictions of the nature discussed in clause (c) in the first paragraph of this covenant on the property so acquired;

(8) customary provisions contained in leases, sub-leases, licenses, sublicenses, contracts and other similar agreements entered into in the ordinary course of business to the extent such obligations impose restrictions of the type described in clause (c) in the first paragraph of this covenant on the property subject to such lease;

(9) any encumbrance or restriction effected in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization that, in the good faith determination of the Issuer, is necessary or advisable to effect such Qualified Receivables Financing or Recourse Factoring or Securitization (as applicable);

(10) any encumbrance or restriction (a) contained in other Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary that is Incurred subsequent to the Issue Date pursuant to the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided* that such encumbrances and restrictions contained in any agreement or instrument, taken as a whole, (i) will not materially affect the Issuer's ability to make anticipated principal or interest payments on the Notes (as determined by the Issuer or a direct or indirect parent of the Issuer in good faith); (ii) are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Indenture, the Notes, the Revolving Credit Facility Agreement, the Escrow Agreement and the Intercreditor Agreement, together with the Security Documents associated therewith, in each case, as in effect on the Issue Date (or, with respect to the Security Documents, the Completion Date) (as determined by the Issuer or a direct or indirect parent of the Issuer in good faith); or (iii) as is customary in comparable financings (as determined by the Issuer or a direct or indirect parent of the Issuer in good

faith) or where the Issuer determines that such encumbrance or restriction will not adversely affect in any material respect the Issuer's ability to make principal or interest payments on the Notes; or (b) constituting an Additional Intercreditor Agreement;

(11) any encumbrance or restriction existing by reason of any lien permitted under the covenants described under "*—Liens*" and "*—Liens on Intellectual Property*" to the extent limiting the right of the debtor to dispose of the assets securing such Indebtedness;

(12) any encumbrance or restriction arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of the property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or any Restricted Subsidiary or (b) materially affect the Issuer's ability to make future principal or interest payments on the Notes, in each case, as determined by the Issuer in good faith;

(13) customary provisions in joint venture agreements or arrangements and other similar agreements or arrangements relating solely to the applicable joint venture;

(14) any encumbrance or restriction (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract; (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(15) any encumbrances or restrictions pursuant to Swap Contracts or Cash Management Services; and

(16) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) in the first paragraph of this covenant imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in the immediately preceding clauses (1) through (15) of this second paragraph of this covenant; *provided* that such encumbrances and restrictions contained in any such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are, in the good faith judgment of the Issuer, not materially more restrictive, taken as a whole, than the encumbrances and restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Issuer or a Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Asset Sales

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless:

(1) the Issuer or any of its Restricted Subsidiaries, as the case may be, receives consideration (including by way of relief from, or by any other person assuming responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Sale at least equal to the Fair Market Value (as determined at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents or Replacement Assets,

provided that the amount of:

(a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto for which internal financial statements are available immediately preceding such date or, if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet in the good faith determination of the Issuer) of the Issuer or such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) that are extinguished in connection with the transactions relating to such Asset Sale, or that are assumed by the transferee of any such assets or Equity Interests, in each case, pursuant to an agreement that releases or indemnifies the Issuer or such Restricted Subsidiary, as the case may be, from further liability;

(b) any notes or other obligations or other securities or assets received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents, or by their terms are required to be satisfied for cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received), in each case, within 180 days of the receipt thereof; and

(c) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this subclause (c) that is at that time outstanding, not to exceed the greater of (x) €30 million and (y) 22.25% of Consolidated EBITDA, calculated at the time of the receipt of such Designated Non-cash Consideration (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

shall each be deemed to be Cash Equivalents for the purposes of this clause (2).

Within 365 days after the Issuer's or any Restricted Subsidiary's receipt of the Net Cash Proceeds of any Asset Sale, the Issuer or such Restricted Subsidiary may apply an amount equal to the Net Cash Proceeds from such Asset Sale, at its option:

(1) (a) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (a) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; (b) unless included in (1)(a), prepay, repay, purchase or redeem (i) any series of Notes and/or (ii) any Indebtedness (other than the Notes or Subordinated Indebtedness) that is secured by a Lien on the Collateral on a pari passu basis with the Notes (including Indebtedness that, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement has priority status in respect of the proceeds from the enforcement of the Collateral) in the case of clause (1)(b)(ii), at a price of no more than 100% of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (c) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that, the Issuer will prepay, repay, purchase or redeem Capital Markets Debt (other than the Notes) pursuant to this clause (1) only if the Issuer either (A) equally and ratably reduces Obligations under the Notes as provided under "*—Optional Redemption*" or through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or

(B) makes an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, the principal amount of Notes that would otherwise be redeemed under subclause (A) above);

(2) purchase any series of Notes pursuant to an offer to all holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) or redeem any series of Notes pursuant to the redemption provisions of the Indenture or by making an Asset Sale Offer to all holders of the Notes (in accordance with the procedures set out below); *provided*, *however*, that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Cash Proceeds equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds;

(3) to make an investment in any one or more businesses, assets (other than working capital assets), or property or capital expenditures, in each case used or useful in a Similar Business;

(4) to make an investment in any one or more businesses, properties (other than working capital assets) or assets (other than working capital assets) that replace the businesses, properties and/or assets that are the subject of such Asset Sale; or

(5) any combination of the foregoing;

provided that the Issuer and its Restricted Subsidiaries will be deemed to have complied with the provisions described in clause (3) or (4) of this paragraph if and to the extent that, within 365 days after the Asset Sale that generated the Net Cash Proceeds, the Issuer or such Restricted Subsidiary, as applicable, has entered into and not abandoned or rejected a binding agreement to make an investment in compliance with the provision described in clauses (3) or (4) of this paragraph, and that investment is thereafter completed within 180 days after the end of such 365-day period.

Notwithstanding the foregoing, to the extent that any of or all the Net Cash Proceeds of any Asset Sales by a Subsidiary (x) is prohibited or delayed by applicable local law from being repatriated to Italy, Denmark or Spain or (y) would have a material adverse tax consequence (taking into account any foreign tax credit or other net benefit actually realized in connection with such repatriation that would not otherwise be realized), as determined by the Issuer in its sole discretion, the portion of such Net Cash Proceeds so affected will not be required to be applied in compliance with this covenant, and such amounts may be retained by the applicable Subsidiary; *provided* that clause (x) of this paragraph shall apply to such amounts so long, but only so long, as the applicable local law will not permit repatriation to Italy, Denmark or Spain (the Issuer hereby agreeing to use commercially reasonable efforts to cause the applicable Subsidiary to take all actions reasonably required by the applicable local law, applicable organizational impediments or other impediment to permit such repatriation to Italy, Denmark or Spain), and if such repatriation of any of such affected Net Cash Proceeds is permitted under the applicable local law and is not subject to clause (y) of this paragraph, then, such repatriation will be promptly effected and such repatriated Net Cash Proceeds will be applied (net of additional taxes payable or reserved against as a result thereof) in compliance with this covenant. The time periods set forth in this covenant shall not start until such time as the Net Cash Proceeds may be repatriated to Italy, Denmark or Spain (whether or not such repatriation actually occurs).

Pending the final application of any such amount of Net Cash Proceeds, the Issuer or such Restricted Subsidiary may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest or utilize such Net Cash Proceeds in any manner not prohibited by the

Indenture. The Indenture will provide that any amount of Net Cash Proceeds from any Asset Sale that is not invested or applied as provided and within the time period set forth in the second paragraph of this covenant will be deemed to constitute "Excess Proceeds"; *provided* that any amount of proceeds offered to holders pursuant to clause (1)(c) or clause (2) of the second paragraph of this covenant or pursuant to an Asset Sale Offer made at any time after the Asset Sale shall be deemed to have been applied as required and shall not be deemed to be Excess Proceeds without regard to the extent to which such offer is accepted by the holders. When the aggregate amount of Excess Proceeds less Total Leverage Excess Proceeds (as defined below), if any, exceeds €20 million, the Issuer shall make an offer (an "**Asset Sale Offer**") to all holders of Notes and, if required by the terms of any Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum principal amount of such Notes and Pari Passu Indebtedness, as appropriate, on a pro rata basis, that may be purchased out of the Excess Proceeds less Total Leverage Excess Proceeds, if any, at an offer price, in the case of any series of Notes, in cash in an amount equal to 100% of the principal amount thereof (or in the event such other Indebtedness was issued with original issue discount, 100% of the accreted value thereof), plus accrued and unpaid interest, if any (or such lesser price with respect to Pari Passu Indebtedness, if any, as may be provided by the terms of such other Indebtedness), to (but not including) the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture and the agreement governing such Pari Passu Indebtedness. However, the Issuer shall only be required to make an Asset Sale Offer with 50% of the Excess Proceeds if the Consolidated Total Net Debt Ratio for the Issuer is less than or equal to the Specified Consolidated Total Net Debt Ratio after giving effect to any application of any Net Cash Proceeds as set forth herein, including completion of any prior offer to repurchase a portion of the Notes (any Excess Proceeds not required to be offered in an Asset Sale Offer in reliance on this sentence (i.e., such 50%) shall constitute "Total Leverage Excess Proceeds"). The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within ten Business Days after the date that such Excess Proceeds less any Total Leverage Excess Proceeds exceed €20 million by transmitting electronically or by mailing to the holders the notice required pursuant to the terms of the Indenture, with a copy to the Trustee or otherwise in accordance with the procedures of Euroclear, Clearstream or DTC, as applicable. The Issuer may satisfy the foregoing obligations with respect to such Net Cash Proceeds from an Asset Sale by making an Asset Sale Offer with respect to such Net Cash Proceeds at any time prior to the expiration of the application period or by electing to make an Asset Sale Offer with respect to such Net Cash Proceeds before the aggregate amount of Excess Proceeds less any Total Leverage Excess Proceeds exceeds €20 million.

To the extent that the aggregate amount of Notes and any other Pari Passu Indebtedness tendered or otherwise surrendered in connection with an Asset Sale Offer made with Excess Proceeds less any Total Leverage Excess Proceeds is less than the amount offered in an Asset Sale Offer, the Issuer may use any remaining Excess Proceeds less any Total Leverage Excess Proceeds (any such amount, "**Retained Declined Proceeds**") for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and Pari Passu Indebtedness tendered or otherwise surrendered by holders thereof exceeds the amount offered in an Asset Sale Offer, the Trustee shall select the applicable Notes (and the Issuer or its agents shall select such Pari Passu Indebtedness) to be purchased in the manner described below. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. To the extent the Excess Proceeds less any Total Leverage Excess Proceeds exceed the outstanding aggregate principal amount of the Notes (and, if required by the terms thereof, all Pari Passu Indebtedness), the Issuer needs only make an Asset Sale Offer up to the outstanding aggregate principal amount of Notes (and any such Pari Passu Indebtedness), and any additional Excess Proceeds less any Total Leverage Excess Proceeds shall not be subject to this covenant and shall be permitted to be used for any purpose in the Issuer's discretion. The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the purchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict

with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified at any time with the written consent of the holders of a majority in principal amount of the Notes then outstanding.

Future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes pursuant to an Asset Sale Offer. In the event the Issuer is prohibited from purchasing the Notes, the Issuer or one of its Affiliates could seek the consent of its lenders or investors to the purchase of the Notes or attempt to refinance the borrowings that contain such prohibition. If the Issuer or one of its Affiliates do not obtain such consent or repay such borrowings, they will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

If more Notes are tendered pursuant to an Asset Sale Offer than the Issuer is required to purchase, selection of such Notes for purchase will be made in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed (so long as the Trustee knows of such listing) or if such Notes are not listed, on a *pro rata* basis based on the total amount of Notes and Pari Passu Indebtedness tendered in connection with an Asset Sale Offer (with adjustments so that only Notes in denominations of the minimum denomination of €100,000 or integral multiples of €1,000 in excess thereof shall be purchased) by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with applicable legal requirements and, in the case of Global Notes, the procedures of the Depository); *provided* that the selection of Notes for purchase shall not result in a holder with a principal amount of Notes less than the minimum denomination of €100,000. No Note will be repurchased in part if less than the minimum denomination of such Note would be left outstanding.

Notices of an Asset Sale Offer shall be sent by first class mail, postage prepaid, or sent electronically, at least ten days but not more than 60 days before the purchase date to each holder of Notes at such holder's registered address or otherwise in accordance with Euroclear, Clearstream or DTC procedures, as applicable. If any Note is to be purchased in part only, any notice of purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased.

A new Note in principal amount equal to the unpurchased portion of any Note (other than a global note) purchased in part will be issued in the name of the holder thereof upon cancellation of the Note. On and after the purchase date, unless the Issuer defaults in payment of the purchase price, interest shall cease to accrue on Notes or portions thereof purchased.

Transactions with Affiliates

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer involving aggregate consideration in excess of €10 million (each of the foregoing, an "**Affiliate Transaction**"), unless:

(a) such Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer); and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25 million, the Issuer delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer, approving such Affiliate Transaction, together with an Officer's Certificate certifying that the Board of Directors of the Issuer or any direct or indirect parent of the Issuer determined or resolved that such Affiliate Transaction complies with clause (a) above.

The foregoing provisions will not apply to the following:

(1) (a) transactions between or among the Issuer and/or any of its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among any Restricted Subsidiary or any Receivables Subsidiary and (b) any merger, amalgamation or consolidation of the Issuer and any Holdings Entity or any other direct or indirect parent of the Issuer;

(2) any issuance or sale of Subordinated Shareholder Funding, Equity Interests, options, other equity-related investments or other warrants or securities or right to purchase Equity Interests, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer;

(3) (a) Restricted Payments permitted by the Indenture and (b) Permitted Investments;

(4) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;

(5) any Management Advances and any waiver or transaction with respect thereto;

(6) the Management Agreements or any transaction or payments (including reimbursement of out-of-pocket expenses or payments under any indemnity obligations) contemplated thereby;

(7) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, the Acquisition Agreement, any stockholders or similar agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party entered into in connection with the Transactions or similar transactions, arrangements or agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing transaction, arrangement or agreement or under any similar transaction, arrangement or agreement entered into after the Completion Date shall only be permitted by this clause (7) to the extent that the terms of any such existing transaction, arrangement or agreement, together with all amendments thereto, taken as a whole, or new transaction, arrangement or agreement are not otherwise disadvantageous (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer) to the holders of the Notes, in any material respect when taken as a whole as compared with the original transaction, arrangement or agreement entered into in connection with the Transactions;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of

the Indenture, which are fair to the Issuer and its Restricted Subsidiaries or are on terms at least as favorable (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer) as might reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction effected as part of a Qualified Receivables Financing or Recourse Factoring or Securitization;

(10) the sale, issuance or transfer of Equity Interests (other than Disqualified Stock) of the Issuer;

(11) payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of any Initial Investor made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are (x) made pursuant to agreements with the Initial Investors or (y) approved by a majority of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith or a majority of the disinterested members of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith;

(12) any contribution to the capital of the Issuer (other than Disqualified Stock) or any investments by any Initial Investor or a direct or indirect parent of the Issuer in Equity Interests (other than Disqualified Stock of the Issuer) of the Issuer (and payment of reasonable out-of-pocket expenses incurred by any Initial Investor or a direct or indirect parent of the Issuer in connection therewith);

(13) any transaction with a Person (other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an Equity Interest in or otherwise controls such Person; *provided* that no Affiliate of the Issuer or any of its Subsidiaries (other than the Issuer or a Restricted Subsidiary) shall have a beneficial interest or otherwise participate in such Person;

(14) transactions between the Issuer or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because such Person is a director, or such Person has a director which is also a director, of the Issuer or any direct or indirect parent of the Issuer; *provided*, *however*, that such director abstains from voting as a director of the Issuer or such direct or indirect parent of the Issuer, as the case may be, on any matter involving such other Person;

(15) the entering into of any tax sharing agreement or arrangement;

(16) (i) transactions to effect the Transactions and the payment of all transaction, underwriting, commitment and other fees and expenses related to the Transactions (including the Transactions costs) and (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement, arrangement or instrument in effect as of or on the Completion Date or described in "*Certain Relationships and Related Party Transactions*" in the Offering Memorandum, in each case, as these agreements, arrangements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders in any material respect (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer);

(17) pledges of Equity Interests of Unrestricted Subsidiaries;

(18) the issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, equity purchase agreements, stock options and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in good faith;

(19) (i) any employment, consulting, service or termination agreement, or customary indemnification arrangements, entered into by the Issuer or any of its Restricted Subsidiaries with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries (or of any direct or indirect parent of the Issuer to the extent such agreements or arrangements are in respect of services performed for the Issuer or any of the Restricted Subsidiaries), (ii) any subscription agreement or similar agreement pertaining to the repurchase of Equity Interests pursuant to put/call rights or similar rights with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries or of any direct or indirect parent of the Issuer and (iii) any payment of compensation or other employee compensation, benefit plan or arrangement, any health, disability or similar insurance plan which covers officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries or any direct or indirect parent of the Issuer (including amounts paid pursuant to any management equity plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, stock option or similar plans and any successor plan thereto and any supplemental executive retirement benefit plans or arrangements), in each case in the ordinary course of business or as otherwise approved in good faith by the Board of Directors of either of the Issuer or of a Restricted Subsidiary or any direct or indirect parent of the Issuer;

(20) investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock, and transactions with Affiliates solely in their capacity as holders of Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally;

(21) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of their obligations under the terms of, any registration rights agreement, shareholders' agreement or listing agreement to which they are a party or become a party in the future;

(22) investments by any of the Initial Investors or a direct or indirect parent of the Issuer in securities of the Issuer or debt securities or Preferred Stock of any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by any of the Initial Investors or a direct or indirect parent of the Issuer in connection therewith);

(23) transactions with joint ventures for the purchase or sale of goods, equipment and services entered into in the ordinary course of business;

(24) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, in the ordinary course of business;

(25) (i) intellectual property licenses in the ordinary course of business and (ii) intercompany intellectual property licenses and research and development agreements;

(26) transactions pursuant to, and complying with, (i) the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent such transaction complies with clause (a) of the first paragraph of this covenant or (ii) the second and fourth paragraphs of the covenant under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*";

(27) intercompany transactions undertaken in good faith for the purpose of improving the consolidated tax efficiency of the Issuer and its Restricted Subsidiaries and not for the purpose of circumventing any covenant set forth herein; and

(28) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and

provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Liens

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien securing Indebtedness on any of its assets or property (excluding Intellectual Property), whether owned on or acquired after the Completion Date, or any interest therein or any income or profits therefrom (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or senior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b), in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien that is granted to secure the Notes or the applicable Guarantee pursuant to the preceding paragraphs shall be automatically and unconditionally released and discharged (i) at the same time as the release of the Initial Lien to which it relates and (ii) as otherwise set forth under *—Security—Release of Liens*.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference, any fees, underwriting discounts, accrued and unpaid interest, premiums and other costs and expenses incurred in connection therewith and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Liens on Intellectual Property

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien securing Indebtedness for borrowed money on any of its Intellectual Property, whether owned on or acquired after the Completion Date (such Lien, the "**Initial Intellectual Property Lien**"), except (1)(a) Liens on Intellectual Property of the Issuer or any Restricted Subsidiary securing obligations, the principal amount of which does not exceed the greater of (x) €15 million and (y) 11.25% Consolidated EBITDA at any one time outstanding, and (b) Liens on Intellectual Property described in one or more of clauses (1), (2), (3), (4), (5), (6) (to the extent not securing Indebtedness for borrowed money), (7), (8), (12), (13), (19), (20), (22) (in respect of Liens permitted pursuant to clause (6) of the definition of "Permitted Liens" to the extent not securing Indebtedness for borrowed money), (28), (29), (30), (33), (36), (38), (40), (42), (43), (44) and (48) of the definition of "Permitted Liens" or (c) Liens on Intellectual Property described in clause (6) of the definition of Permitted Liens securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Transactions and (2) Liens on Intellectual Property that are not otherwise permitted under this covenant if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness for borrowed money secured by such Initial Intellectual Property Lien for so long as such Indebtedness is so secured (clauses (1) and (2), together, "**Permitted Intellectual Property Liens**").

Any Lien that is granted to secure the Notes or the applicable Guarantee pursuant to the preceding paragraph shall be automatically and unconditionally released and discharged (i) at the same time as the release of the Initial Intellectual Property Lien to which it relates and (ii) as otherwise set forth under "*—Security—Release of Liens*".

With respect to any Lien securing Indebtedness for borrowed money that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness.

For purposes of determining compliance with this covenant (x) a Lien need not be Incurred solely by reference to one category of Permitted Intellectual Property Liens described herein but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Intellectual Property Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this covenant.

Reports

The Indenture will provide that so long as any Notes are outstanding, the Issuer will provide to the Trustee a copy of all of the information and reports referred to below:

(1) within 150 days after the end of the Issuer's first fiscal year ending after the Issue Date and within 120 days after the end of each fiscal year thereafter, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates unless such *pro forma* information has been provided in a previous report pursuant to clauses (2) or (3) of this covenant; *provided* that, such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) description of the business, management and shareholders of the Issuer, all material affiliate transactions, and a description of all material debt instruments; and (v) description of material operational risk factors and material subsequent events;

(2) within 90 days after September 30, 2018 and thereafter within 60 days following the end of the Issuer's first, second and third fiscal quarters of each fiscal year, quarterly financial statements of the Issuer containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates unless such *pro forma* information has been provided in a previous report pursuant to clauses (1) or (3) of this covenant; *provided* that, such *pro forma* financial information will be provided only to the extent available without unreasonable expense or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the

Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or the parent of the Issuer responsible for the management of the Issuer and its Restricted Subsidiaries or a change in auditors of the Issuer, a report containing a description of such event;

provided, however, that any reports provided under clauses (1), (2) and (3) above delivered to the Trustee via e-mail or other electronic means shall be deemed to have been "furnished" to the Trustee in accordance with the terms of this paragraph.

In addition, the Issuer shall furnish to the holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, by posting such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

With respect to periods commencing prior to the Completion Date, to the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of each of the Targets (on a standalone or combined basis) or special purpose financial information of the Issuer (incorporating such financial information of the Targets) may be provided in lieu thereof.

Subject to the next succeeding paragraph, in the event that, and for so long as, the equity securities of the Issuer or any direct or indirect parent or IPO Entity are listed on a Recognized Stock Exchange and the Issuer or such Parent or IPO Entity is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on such Recognized Stock Exchange, for so long as it elects, the Issuer will make available to the holders such annual reports, information, documents and other reports that the Issuer or such direct or indirect parent or IPO Entity is, or would be, required to file with such Recognized Stock Exchange pursuant to such admission and disclosure standards. Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any direct or indirect parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the Recognized Stock Exchange, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs; *provided further*, that if such Recognized Stock Exchange does not require the Issuer or any direct or indirect parent of the Issuer or IPO Entity to (a) prepare and file reports with such Recognized Stock Exchange or (b) disclose Consolidated EBITDA, in each case, on a quarterly basis, the Issuer shall additionally provide the reports set forth in clause (2) of the first paragraph above and disclose Consolidated EBITDA on a quarterly basis.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1), (2) and (3) of this covenant by delivering the corresponding consolidated annual, quarterly and ad hoc reports of (i) any direct or indirect parent or (ii) the Targets. To the extent that material

differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer or (i) any direct or indirect parent or (ii) the Targets, as the case may be, that is the reporting entity (if applicable), the annual, quarterly and ad hoc reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*—Reports*" covenant will include (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the holders of the Notes and prospective holders of the Notes if such information referenced in clauses (1), (2) or (3) of this covenant (i) has been posted to the Issuer's website or (ii) made publicly available through substantially comparable means (as determined by an Officer of the Issuer in good faith) (it being understood that, without limitation, making such reports available on Bloomberg or another private electronic information service will constitute substantially comparable public availability).

All reports provided pursuant to this "*—Reports*" covenant shall be made in the English language. If the due date for any report set forth in clauses (1) and (2) above is not a Business Day, the Issuer or other reporting entity permitted under this covenant will be entitled to provide such report on the next succeeding Business Day.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Delivery of any information, documents and reports to the Trustee pursuant to this "Reports" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

Future Guarantors

If, on or after the Issue Date, (a) any Restricted Subsidiary of the Issuer that is not then a Guarantor guarantees or Incurs any Indebtedness under the Revolving Credit Facility Agreement or guarantees any capital markets Indebtedness with an aggregate principal amount in excess of €75 million ("**Certain Capital Markets Debt**") of the Issuer or any of its Restricted Subsidiaries or Incurs Certain Capital Markets Debt or (b) the Issuer otherwise elects to have any Restricted Subsidiary of the Issuer become a Guarantor, then, in each such case, the Issuer shall cause such Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture pursuant to

which such Restricted Subsidiary shall become a Guarantor under the Indenture providing for a Guarantee by such Restricted Subsidiary on the same terms and conditions as those set forth in the Indenture and applicable to the other Guarantors; *provided* that, in the case of clause (a), such supplemental indenture shall be executed and delivered to the Trustee within 20 Business Days of the date that such Indebtedness under the Revolving Credit Facility Agreement or such Certain Capital Markets Debt has been guaranteed or Incurred by such Restricted Subsidiary; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to reflect the foregoing.

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law. However, such limitations may not be effective under local law. See *"—Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations" and "Risk Factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—The Notes Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability".*

Each Guarantee shall be released upon the terms and in accordance with the provisions of the Indenture described under "*—Guarantees*".

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles. By virtue of such limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes*" and "*—Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*" in the Offering Memorandum.

Post Completion Date Guarantees and Collateral; Further Assurances

The Issuer shall use commercially reasonable efforts to (i) cause each of B&B Italia S.p.A., Flos S.p.A., Louis Poulsen A/S and Antares Illuminación S.A.U. to become Guarantors within 90 days following the Completion Date, limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance, "thin

capitalization" rules and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law, and (ii) enter into the Security Documents to effect (a) the Completion Date Collateral on or about the Completion Date and (b) the Post Completion Date Collateral within 20 Business Days following the Completion Date, in each case subject to the Agreed Security Principles.

In addition, none of the Issuer, B&B Italia S.p.A., Flos S.p.A and Luminous Designs Investments ApS, as applicable, may amend any Target Proceeds Loan in a manner materially adverse to the holders (as determined in good faith by the Issuer).

Impairment of Security Interest

Each of Holdco and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the holders, and Holdco and the Issuer shall not, and Holdco and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) Holdco and the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) Holdco and the Issuer and the Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization or a transaction not prohibited by the covenant set forth under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*", (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) Holdco and Issuer and the Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect holders in any material respect; *provided*, *however*, that in the case of clause (i), (ii) or (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of Holdco and the Issuer and its Subsidiaries, taken as a whole (as applicable), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (b) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the Issuer or the relevant Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (c) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, each of the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being

indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the holders.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or clauses (a), (c) (other than with respect to Capitalized Lease Obligations), (i), (k), (l), (n), (q) or (cc) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (y) any refinancing Indebtedness in respect of the Indebtedness referred to in the foregoing clause (x), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "**Additional Intercreditor Agreement**") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement or any Security Document to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add a co-issuer or Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Liens, Permitted Intellectual Property Liens or Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnifications or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also will provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices.

Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets

The Issuer

The Indenture will provide that the Issuer may not consolidate, merge or amalgamate with or into or wind up into (whether or not such Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries (taken as a whole) in one or more related transactions, to any Person unless:

(1) the Issuer is the surviving Person or the Person formed by or surviving any such consolidation, merger, amalgamation or winding up (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is (or is the foreign analog of) a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia, the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Issue Date) (the Issuer or such Person, as the case may be, being herein called the "**Successor Company**");

(2) the Successor Company (if other than such Issuer) expressly assumes all the obligations of the Issuer (a) under the Indenture and the Notes pursuant to supplemental indentures or other documents or instruments and (b) under the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents, as applicable;

(3) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(4) immediately after giving effect to such transaction on a Pro Forma Basis, as if such transaction had occurred at the beginning of the applicable four-quarter period, either:

   (a) the Issuer (or a Successor Company to the Issuer, if applicable) would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or

   (b) the Fixed Charge Coverage Ratio for the Issuer (or a Successor Company to the Issuer, if applicable) and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

(5) each Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's Obligations under the Indenture and the Notes; and

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indentures (if any) comply with the Indenture; *provided* that, in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

The Successor Company (if other than the Issuer) will succeed to, and be substituted for, the Issuer under the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor

Agreement and the Security Documents, as applicable, and the Issuer will automatically be released and discharged from its obligations under the Indenture and the Notes. Notwithstanding the foregoing clauses (3) and (4), (a) the Issuer may consolidate or amalgamate with, merge into or sell, assign, transfer, lease, convey or otherwise dispose of all or part of its properties and assets to any Guarantor, (b) the Issuer may merge, consolidate or amalgamate with an Affiliate of the Issuer solely for the purpose of reincorporating or reorganizing the Issuer in another state of the United States, any state or territory thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or in any member country of the European Union (as it is constituted on the Issue Date) so long as the principal amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby (unless such increase is permitted by the Indenture), (c) the Issuer may change legal form, (d) the Issuer or any Guarantor may change its name, (e) any Restricted Subsidiary may merge, amalgamate or consolidate with the Issuer; *provided* that the Issuer is the Successor Company in such merger, amalgamation or consolidation and (f) the Issuer may enter into a Permitted Reorganization.

The Guarantors

The Indenture will further provide that subject to certain provisions in the Indenture governing release of a Guarantee upon the sale or disposition of a Restricted Subsidiary that is a Guarantor, each Guarantor will not, and the Issuer will not permit any Guarantor to, consolidate, merge or amalgamate with or into or wind up into (whether or not such Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person (other than in connection with the Transactions) unless:

(1) (a) such Guarantor is the surviving Person or the Person formed by or surviving any such consolidation, merger, amalgamation or winding up (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership, limited partnership or limited liability company or trust, or the foreign analog of any of the foregoing entities, organized or existing under the laws of the jurisdiction of organization of such Guarantor or the laws of the United States, any state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided by such surviving Person under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of the predecessor Guarantor (such Guarantor or such Person, as the case may be, being herein called the "**Successor Guarantor**");

(b) the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee pursuant to a supplemental indenture or other documents or instruments;

(c) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Guarantor or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Guarantor or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(d) the Successor Guarantor (if other than such Guarantor) shall have delivered or caused to be delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indenture (if any) comply with the Indenture; or

(2) such sale or disposition or consolidation, amalgamation or merger is made in compliance with the covenant described under "*—Asset Sales*" to the extent applicable on the date of the subject transaction,

provided, however, that the prohibitions contained in the first paragraph of the covenant described under "*—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets—The Guarantors*" shall not apply to the extent that compliance with paragraphs (1)(a) and (1)(b) could give rise to or result in: (i) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (ii) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (iii) any cost, expense, liability or obligation (including with respect to any taxes) other than reasonable out of pocket expenses.

Subject to certain limitations described in the Indenture, the Successor Guarantor will succeed to, and be substituted for, such Guarantor under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee, and such Guarantor will automatically be released and discharged from its obligations under the Indenture, the Security Documents (as applicable), the Intercreditor Agreement and any Additional Intercreditor Agreement and such Guarantor's Guarantee. Notwithstanding the foregoing, (1) a Guarantor may merge, consolidate or amalgamate with an Affiliate of the Issuer incorporated or organized solely for the purpose of reincorporating or reorganizing such Guarantor in the United States, any state or territory thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or in any member country of the European Union (as it is constituted on the Issue Date), so long as the principal amount of Indebtedness of the Issuer and the Restricted Subsidiaries is not increased thereby (unless such increase is permitted by the Indenture), (2) a Guarantor may (a) consolidate, merge or amalgamate with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets to, the Issuer or a Guarantor or (b) dissolve if such Guarantor sells, assigns, transfers, leases, conveys or otherwise disposes of all or substantially all of its properties and assets to another Person in compliance with the covenant described under "*—Asset Sales*" and after giving effect on a Pro Forma Basis to such sale, assignment, transfer, lease, conveyance or disposition and prior to such dissolution, has no or a de minimis amount of assets, (3) a Guarantor may change legal form under the laws of the jurisdiction of organization of such Guarantor or the laws of the United States, any state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of such Guarantor prior to such conversion, (4) a Guarantor may change its name, (5) any Restricted Subsidiary may merge, amalgamate or consolidate into any Guarantor; *provided*, in the case of this clause (5), that the surviving Person (i) is a corporation, partnership, limited partnership or limited liability company or trust, or the foreign analog of any of the foregoing entities, organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia or the laws of Canada or any province of Canada, Norway, Switzerland or any member country of the European Union (as it is constituted on the Issue Date) or the laws of any other jurisdiction so long as a Guarantee provided by such surviving Person under the laws of such jurisdiction is substantially equivalent to the Guarantee provided under the laws of the jurisdiction of formation of the predecessor Guarantor or the laws of the jurisdiction of organization of such Restricted Subsidiary or Guarantor and (ii) is or becomes a Guarantor upon consummation of such merger, amalgamation or consolidation and (6) any Guarantor may enter into a Permitted Reorganization.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

Defaults

An Event of Default with respect to the Notes of any series will be defined in the Indenture as:

(1) a default in any payment of interest on such series of Notes when due, continued for 30 days;

(2) a default in the payment of principal or premium, if any, of such series of Notes when due at its Stated Maturity, upon optional redemption, upon required purchase, upon acceleration or otherwise;

(3) the failure by the Issuer or any Restricted Subsidiary or, solely in connection with the covenant described under "*Certain Covenants—Impairment of Security Interests*", Holdco, to comply for 60 days after receipt of written notice referred to below with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained in such series of Notes or the Indenture; *provided* that in the case of a failure to comply with the Indenture provisions described under "*—Certain Covenants—Reports,*" such period of continuance of such default or breach shall be 120 days after written notice described in this clause (3) has been given;

(4) (x) the failure by the Issuer or any Restricted Subsidiary to pay the principal amount of any Indebtedness for borrowed money (other than Indebtedness for borrowed money owing to the Issuer or a Restricted Subsidiary) within any applicable grace period after final maturity or (y) the acceleration of any Indebtedness for borrowed money by the Issuer or Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary) (other than Indebtedness for borrowed money owing to the Issuer or a Restricted Subsidiary) by the holders thereof because of a default, in each case of clauses (x) and (y), if the total amount of such Indebtedness unpaid at final maturity or accelerated exceeds €30 million or its foreign currency equivalent;

(5) certain events of bankruptcy or insolvency of Holdco, the Issuer or a Significant Subsidiary;

(6) failure by the Issuer or any Significant Subsidiary to pay final and non-appealable judgment or judgments aggregating in excess of €30 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent insurance companies), which judgment or judgments are not discharged, waived or stayed for a period of 60 days after such judgment or judgments become final and, in the event such judgment or judgments are covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or judgments or decree which is not promptly stayed;

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €25 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable, and (in each case) any such Default continues for 10 days; or

(8) the Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof or of the Indenture), or any Guarantor that is a Significant Subsidiary denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination or discharge of the Indenture or the release of any such Guarantee in accordance with the Indenture and such Default continues for ten days.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clause (3), (4) or (6) of the first paragraph above will not constitute an Event of Default with respect to any series of Notes until the Trustee or the holders of at least 30% in principal amount of outstanding Notes of such series notify in writing the Issuer of the Default and such Default is not cured within the time specified in such clauses after receipt of such notice.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy or insolvency of the Issuer) occurs and is continuing with respect to any series of Notes, the Trustee or the holders of at least 30% in principal amount of outstanding Notes by written notice to the Issuer (and to the Trustee, if given by holders of Notes of such series) may declare the principal of, premium, if any, and accrued but unpaid interest, on all Notes outstanding of such series to be due and payable. Upon such a declaration, such principal, premium, if any, and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy or insolvency of the Issuer occurs, the principal of, premium, if any, and interest on all the outstanding Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of outstanding Notes of such series may rescind any such acceleration with respect to the Notes of such series and its consequences. Please see "*Risk Factors—Risks Related to the Notes.*"

The holders of a majority in aggregate principal amount of the then outstanding Notes of any series by notice to the Trustee may, on behalf of the holders of all of the Notes of such series, (i) waive, rescind or cancel any declaration of an existing or past Default or Event of Default with respect to such series of Notes and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, or the principal of, the Notes of such series (other than such nonpayment of principal or interest that has become due as a result of such acceleration) or (ii) subject to "*—Amendments and Waivers*", waive compliance with any provision of the Indenture, the Notes of such series or the Guarantees if, in each case of clauses (i) and (ii), if such waiver, rescission or cancellation would not conflict with any judgment or decree. Upon any such waiver of a Default or an Event of Default effected pursuant to clause (i) of the previous sentence with respect to any series of Notes, such Default or Event of Default shall cease to exist with respect to such series of Notes, and any Event of Default with respect to such series of Notes arising therefrom shall be deemed to have been cured for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes of such series, if prior to 30 days after such Event of Default arose (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the requisite amount of holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has otherwise been cured.

In case an Event of Default occurs and is continuing with respect to any series of Notes, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense. Except to enforce

the right to receive payment of principal, premium (if any) or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes of any series unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 30% of the aggregate principal amount of the outstanding Notes of such series have requested in writing the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to it in respect of any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes of such series have not given the Trustee a written direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of outstanding Notes of any series of 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 with respect to such series of Notes. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security and/or indemnification satisfactory to it in its sole discretion against all losses, liabilities and expenses that may be caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing with respect to such series of Notes and is actually known to the Trustee, the Trustee must deliver to each holder of the Notes of such series notice of the Default within 90 days after it is known to the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any Note of such series, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the holders of the Notes of such series. In addition, the Issuer is required to deliver to the Trustee, within 120 days (or 145 days for the first fiscal year ending after the Issue Date) after the end of each fiscal year, a certificate regarding compliance with the Indenture. Upon any Officer of the Issuer becoming aware of any Default or Event of Default, the Issuer also is required to deliver to the Trustee, within 30 days after such Officer becoming aware of such Default or Event of Default (unless such Default or Event of Default has been cured or waived within such 30-day time period), an Officer's Certificate specifying such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

Amendments and Waivers

Subject to certain exceptions and subject to compliance with the provisions described in "*—Meetings of Holders of Notes*" below), the Notes Documents may be amended, supplemented or otherwise modified with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes) and, subject to certain exceptions, any existing or past Default or compliance with any provisions of such documents may be waived with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Fixed Rate Notes or the Floating Rate Notes, as applicable); *provided* that (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents

obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required. However, without the consent of holders holding not less than 75% of the then outstanding principal amount of the Notes affected then outstanding, an amendment, supplement or waiver may not, with respect to any Notes held by a non-consenting holder:

(1) reduce the percentage of the aggregate principal amount of Notes of such series whose holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or extend the time for payment of interest or Additional Amounts, if any, on any Note of such series;

(3) reduce the principal of or change the Stated Maturity of any Note;

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes of such series, except a rescission of acceleration of the Notes of such series with respect to a nonpayment default by the holders of at least a majority in aggregate principal amount of the Notes of such series and a waiver of the payment default that resulted from such acceleration;

(5) reduce the premium payable upon the redemption of any Note of such series or change the time at which any Note of such series may be redeemed as described under "*—Optional Redemption*" (other than, in each case, any change to the notice periods with respect to such redemptions) or "*—Redemption for Taxation Reasons*";

(6) make any Note of such series payable in money other than that stated in such Note;

(7) impair the right of any holder of Notes of such series to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(8) make any change in the provisions of the Indenture relating to waivers of past Defaults or Events of Default or the rights of holders to receive payments of principal of or premium, if any, or interest on the Notes of such series;

(9) make the Notes of such series or any Guarantee subordinated in right of payment to any other obligations;

(10) release any security interests granted for the benefit of the holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(11) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement; or

(12) make any change in the amendment or waiver provisions of the Indenture that require the holder's consent as described in clauses (1) through (11) of this sentence;

provided that if any such amendment, supplement or waiver will only affect one series of Notes then outstanding under the Indenture and does not or would not affect holders of the Notes generally, then only the consent of the holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required.

A Note does not cease to be outstanding because the Issuer or any Affiliate of the Issuer holds the Note; *provided* that in determining whether the holders of the requisite majority of

outstanding Notes, or the outstanding Notes of any series, have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes of such series owned by the Issuer or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding if such ownership is known by a Trust Officer.

Without the consent of any holder of Notes of any series, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party), the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, mistake, defect or inconsistency,

(2) conform the text of the Indenture (including any supplemental indenture or other instrument pursuant to which Additional Notes are issued), the Guarantees, the Notes of such series or the Security Documents to this "Description of Notes" or, with respect to any Additional Notes and any supplemental indenture or other instrument pursuant to which such Additional Notes are issued, to the "Description of Notes" relating to the issuance of such Additional Notes solely to the extent that such "Description of Notes" provides for terms of such Additional Notes that differ from the terms of the initial Notes, as contemplated by "—*General*" above,

(3) comply with the covenant relating to mergers, amalgamations, consolidations and sales of assets,

(4) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under the Indenture and the Notes of such series or Guarantee, as the case may be,

(5) provide for uncertificated Notes of such series in addition to or in place of certificated Notes of such series; *provided* that the uncertificated Notes of such series are issued in registered form for purposes of Section 163(f) of the Code,

(6) (A) add or release Guarantees in accordance with the terms of the Indenture with respect to the Notes of such series or (B) add a co-issuer of the Notes of such series to the extent it does not result in adverse tax consequences to the holders,

(7) add to the covenants of the Issuer for the benefit of the holders or to surrender any right or power conferred upon the Issuer or any Restricted Subsidiary,

(8) make any change that does not adversely affect the rights of any holder in any material respect,

(9) make any amendment to the provisions of the Indenture relating to the transfer and legending of the Notes of such series as permitted by the Indenture, including, without limitation, to facilitate the issuance and administration of the Notes of such series; *provided*, *however*, that (i) compliance with the Indenture as so amended would not result in Notes of such series being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes of such series,

(10) evidence and provide for the acceptance of appointment by a successor Trustee; *provided* that the successor Trustee is otherwise qualified and eligible to act as such under the terms of the Indenture,

(11) provide for or confirm the issuance of Additional Notes in accordance with the Indenture,

(12) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document,

(13) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the holders or parties to the

Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with, or

(14) as provided in "*Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinion of Counsel.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. For the avoidance of doubt, no amendment to, or deletion of "*—Change of Control*" or any of the covenants described under "*—Certain Covenants*" shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes of such series.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. Such notice of any amendment, supplement and waiver may also be published in a daily newspaper with general circulation in Luxembourg or by other methods considered as equivalent by the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendments and Waivers*", in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided,*

however, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*" and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See *"Risk Factors—Risks related to the Notes and the Collateral—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes"*. Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of holders of the Notes can be challenged by holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers*". As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendments and Waivers*".

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of UniCredit S.p.A., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "**Security Representative**") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of UniCredit S.p.A. as Security Representative.

Moreover, a representative of the holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to represent the interests of the holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation plc as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter.

No Personal Liability of Managers, Directors, Officers, Employees and Stockholders

No manager, managing director, director, officer, employee, incorporator or holder of any equity interests in the Issuer, Holdco, any Subsidiary or any direct or indirect parent of the Issuer, as such, will have any liability for any obligations of the Issuer or any Guarantor under the Notes or the Indenture or any Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Transfer and Exchange

A noteholder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the registrar and the Trustee may require a noteholder, among other things, to furnish appropriate endorsements or transfer documents and the Issuer may require a noteholder to pay any taxes required by law or permitted by the Indenture. The registrar will not be required to transfer or exchange any Note selected for redemption (except in the case of a Note to be redeemed in part, the portion of such Note not to be redeemed) or to transfer or exchange any Note for a period of 15 days prior to a selection of Notes to be redeemed or tendered and not withdrawn or in connection with a Change of Control Offer or an Asset Sale Offer. The Notes will be issued in registered form and the registered holder of a Note will be treated as the owner of such Note for all purposes.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the holders of the Notes under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and will cease to be of further effect and any collateral then securing the Notes of a series shall be released (except as to surviving rights of conversion, transfer or exchange of Notes, as expressly provided for in the Indenture) as to all outstanding Notes of a series when:

(1) either (a) all the Notes of such series theretofore authenticated and delivered (except lost, stolen or destroyed Notes of such series which have been replaced or paid and Notes of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the Notes of such series not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) have been called for redemption or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of a full redemption by the Trustee or Paying Agent in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor have deposited or caused to be deposited in a manner that is not revocable by the Issuer or any of its Affiliates with the Trustee or paying agent money or European Government Obligations in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes of such series to the date of maturity or redemption, as the case may be, together with irrevocable instructions from the Issuer directing the Trustee or paying agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer and/or the Guarantors have paid all other sums then due and payable under the Indenture; and

(3) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes of any series and the Indenture and have each Guarantor's obligation discharged with respect to its Guarantee ("**legal defeasance**") and cure all then-existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust (as defined below) and obligations to register the transfer or exchange of the Notes of such series and certain rights of the Trustee, to replace mutilated, destroyed, lost or stolen Notes of such series and to maintain a registrar and paying agent in respect of the Notes of such series. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the holders of Notes of such series under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust). The Issuer at any time may terminate its obligations and those of each Guarantor under certain covenants that are described in the Indenture, including the covenants described under "*—Certain Covenants*", the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*—Defaults*" and the undertakings and covenants contained under "*—Change of Control*" and "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*" (other than clauses (1), (2) and (6) of the first paragraph and clause (1)(d) of the third paragraph thereof) ("**covenant defeasance**"). If the Issuer exercises its legal defeasance option or its covenant defeasance option, each Guarantor will be released from all of its obligations with respect to its Guarantee.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes of such series may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes of such series may not be accelerated because of an Event of Default specified in clause (3) (with respect to any Default by the Issuer or any of its Restricted Subsidiaries with any of their obligations under the covenants described under "*—Certain Covenants", (4), (5), (6) or (7) under "—Defaults*".

In order to exercise either defeasance option with respect to any series of Notes, the Issuer must irrevocably deposit or cause to be deposited (the **"defeasance trust"**) with the Paying Agent money or European Government Obligations, or a combination thereof (sufficient in the opinion of a nationally recognized certified public accounting firm) for the payment of principal, premium (if any) and interest on the applicable series of Notes to redemption or maturity, as the case may be; *provided* that if such redemption is made pursuant to the provisions described in the second paragraph under "*—Optional Redemption*", then: (x) the amount of money or European Government Obligations, or a combination thereof, that the Issuer must irrevocably deposit or cause to be deposited will be determined using an assumed Applicable Premium calculated as of the date of such deposit, as calculated by the Issuer in good faith, and (y) the Issuer must irrevocably deposit or cause to be deposited additional money in trust on the redemption date as necessary to pay the Applicable Premium as determined on such date; *provided*, *further*, that the Issuer must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that holders of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or change in applicable U.S. federal income tax law after the Issue Date).

Financial Calculations

When calculating the availability under any basket or ratio under the Indenture in connection with any transaction (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness or Liens, the making of any Investment, Restricted

Payment or Restricted Payments permitted pursuant to any of clauses (1) through (24) of the covenant described under "*—Limitation on Restricted Payments*", any Asset Sale or other disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such pro forma adjustments as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Pro Forma Basis" and "Consolidated EBITDA" after giving effect to such transaction and other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction, and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Consolidated EBITDA of the Issuer or that arises from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions*; provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. In addition, for so long as any Notes are represented by Global Notes, all notices to holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published in a daily newspaper with general circulation in Luxembourg (or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe) or by other methods considered as equivalent by the Luxembourg Stock Exchange.

All notices to holders of the Notes will be validly given if mailed to them at their respective addresses in the register of holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Luxembourg Stock Exchange and if and for so long as the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of any notice with respect to the Notes.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such holder if so mailed within the time prescribed. Failure to

mail a notice or communication to a holder or any defect in it shall not affect its sufficiency with respect to other holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, all notices to holders of the Notes may be delivered via Euroclear, Clearstream or DTC, as applicable, in lieu of notice via registered mail.

Concerning the Trustee

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the holders of a majority in principal amount of the then outstanding Note, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes, expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing Law

The Indenture will provide that it and the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and Guarantors are outside the United States, any judgment obtained in the United States against the Issue or certain Guarantors, including judgments with respect to the payment of principal, premium, if any, interest, redemption price

and any purchase price with respect to the Notes, may not be collectible within the United States. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*".

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture (1) irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City, County and State of New York, United States and (2) consent that any such action or proceeding may be brought in such courts and waive any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agree not to plead or claim the same.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any Holder or by the Trustee or Paying Agent, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee or Paying Agent under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee or Paying Agent to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee or Paying Agent (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is committed, Incurred or made, as the case may be.

Certain definitions

"**Acquired Indebtedness**" means, with respect to any specified Person, Indebtedness (1) of any other Person existing at the time such other Person is merged, amalgamated or consolidated with or into or becomes a Restricted Subsidiary of such specified Person; or (2) assumed in connection with the acquisition of assets from such Person, in each case, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, such other Person merging, amalgamating or consolidating with or into, or becoming a Restricted Subsidiary of such specified Person; and (3) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person. Subject to *"—Financial Calculations*", Acquired Indebtedness shall be deemed to have been

Incurred, with respect to clause (1) and (3) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary or the date of the relevant merger, consolidation or other combination and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets.

"**Acquisition**" means the acquisition of the entities and assets comprising the Target Group pursuant to the Acquisition Agreement as described in this Offering Memorandum under "*Summary—The Transactions*".

"**Acquisition Agreement**" means collectively, (i) the Sale and Purchase Agreement Relating to Shares into B&B Italia S.p.A. dated September 11, 2018 among International Design Group S.r.l., Brompton Design III S.à r.l., CEP IV Daisy S.à r.l, Omega Opportunities Group S.à r.l. and Luminous Designs Collection S.à r.l.; (ii) the Sale and Purchase Agreement Relating to Shares into B&B Italia S.p.A. dated September 11, 2018 among International Design Group S.r.l., Brompton Design III S.à r.l., CEP IV Daisy S.à r.l, Omega Opportunities Group S.à r.l. Luminous Designs Collection S.à r.l.; Ms. Francesca Busnelli, Mr. Massimiliano Busnelli and Aletti Fiduciara S.p.A., (iii) the Sale and Purchase Agreement Relating to Shares into Flos S.p.A. dated September 11, 2018 among International Design Group S.r.l., Luxury Design Holding III S.à r.l., CEP IV Daisy S.à r.l, Omega Opportunities Group S.à r.l. and Luminous Designs Collection S.à r.l., (iv) Sale and Purchase Agreement Relating to Shares into Flos S.p.A. and Quotas into COOON S.r.l. and Fiore S.r.l. dated September 11, 2018 among International Design Group S.r.l., Luxury Design Holding III S.à r.l., CEP IV Daisy S.à r.l, Omega Opportunities Group S.à r.l., Luminous Designs Collection S.à r.l., Mr. Piero Gandini, Mrs. Elena Gandini, Agilufo S.p.A., Capital Account S.L. and Mr. Ambrogio Maria Strano and (v) the Investment Agreement dated September 11, 2018 among CEP IV Daisy S.à r.l, Omega Opportunities Group S.à r.l., Brompton Design III S.à r.l., Luxury Design Holding III S.à r.l. and Luminous Designs Collection S.à r.l., in each case, together with all exhibits and schedules thereto and as amended through the Completion Date.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"**Agreed Security Principles**" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) (i) with respect to any Fixed Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at November 15, 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "Optional Redemption" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Fixed Rate Note to and including November 15, 2021 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(B) the outstanding principal amount of such Fixed Rate Note, and

(ii) with respect to any Floating Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Floating Rate Note at November 15, 2019 (such redemption price (expressed in

percentage of principal amount) being set forth in the table under the heading "Optional Redemption" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Floating Rate Note to and including November 15, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through November 15, 2019 will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(B) the outstanding principal amount of such Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent, or any Paying Agent or Registrar.

"**Asset Sale**" means:

(1) the sale, conveyance, transfer, (including by way of a Sale/Leaseback Transaction, but excluding any operating leases entered into in the ordinary course of business) or other disposition of property or assets (whether by merger, allocation of assets, division, consolidation or amalgamation or in a single transaction or a series of related transactions) of the Issuer or any Restricted Subsidiary, or (2) the issuance or sale of Equity Interests (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and directors' qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary of the Issuer (other than to the Issuer or another Restricted Subsidiary) (whether in a single transaction or a series of related transactions),

(each of the foregoing referred to in this definition as a "**disposition**"). Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(a) a sale, exchange or other disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, or of obsolete, damaged, unnecessary, unsuitable or worn out equipment, facilities or other assets in the ordinary course of business, or dispositions of property no longer used, useful or economically practicable to maintain in the conduct of the business of the Issuer and its Restricted Subsidiaries (including allowing any registrations or any applications for registration of any intellectual property or other intellectual property rights to lapse or become abandoned) and any transfer termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(b) the sale, conveyance, lease or other disposition of all or substantially all of the assets of the Issuer in compliance with the provisions described under "*—Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*" or any disposition that constitutes a Change of Control;

(c) (i) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain covenants—Limitation on Restricted Payments*"; (ii) or any Permitted Investment; or (iii) solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Assets Sales*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(d) any disposition of properties or assets or issuance or sale of Equity Interests of any Restricted Subsidiary, in a single transaction or series of related transactions, with an aggregate Fair Market Value of less than or equal to €15 million;

(e) any transfer or disposition of property or assets or issuance or sale of Equity Interests by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or a direct or indirect parent or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(f) the creation of any Lien permitted under the Indenture;

(g) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(h) any issuance, sale, pledge or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(i) the sale, lease, assignment, license or sublease of inventory, equipment, accounts receivable, notes receivable or other current assets held for sale in the ordinary course of business or the conversion of accounts receivable to notes receivable or dispositions of accounts receivable in connection with the collection or compromise thereof;

(j) the lease, assignment, license, sublicense or sublease of any real or personal property in the ordinary course of business;

(k) a sale or transfer of accounts receivable, or participations therein, and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) (i) to a Receivables Subsidiary or (ii) by a Receivables Subsidiary, in each case, in a Qualified Receivables Financing, a Recourse Factoring or Securitization or in other factoring or similar transactions;

(l) any exchange of assets for Related Business Assets (including a combination of Related Business Assets and a *de minimis* amount of cash or Cash Equivalents) of comparable or greater market value than the assets exchanged, as determined in good faith by the Issuer;

(m) (i) non-exclusive licenses, sublicenses or cross-licenses of intellectual property, other intellectual property rights or other general intangibles and (ii) exclusive licenses, sublicenses or cross-licenses of intellectual property, other intellectual property rights or other general intangibles in the ordinary course of business of the Issuer and the Restricted Subsidiaries of the Issuer;

(n) the surrender or waiver of obligations of trade creditors or customers or other contract rights that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or compromise, settlement, release or surrender of a contract, tort or other litigation claim, arbitration or other disputes;

(o) any transfer in a Sale/Leaseback Transaction with respect to any property acquired or built after the Issue Date (or with respect to the Target Group, the Completion Date) by the Issuer or any of its Restricted Subsidiaries; *provided* that, such transfer is for at least Fair Market Value (as determined on the date on which a definitive agreement for such transfer was entered into);

(p) dispositions arising from foreclosures, condemnations, eminent domain, seizure, nationalization or any similar action with respect to assets, dispositions of property subject to casualty events and (except for purposes of calculating Net Cash Proceeds of any Asset Sale under the second, third, fourth and fifth paragraphs under "*—Certain Covenants—Asset Sales*") dispositions necessary or advisable (as determined by the Issuer in good faith) in order to consummate any acquisition of any Person, business or assets;

(q) dispositions of Investments (including Equity Interests) in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements or rights of first refusal between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(r) to the extent allowable under Section 1031 of the Code, any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(s) the issuance of directors' qualifying shares and shares issued to foreign nationals to the extent required by applicable law;

(t) dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property that is purchased within 90 days of such disposition or (ii) the proceeds of such Asset Sale are applied within 90 days of such disposition to the purchase price of such replacement property (which replacement property is purchased within 90 days of such disposition);

(u) a sale or transfer of equipment receivables, or participations therein, and related assets;

(v) any dispositions in connection with the Transactions;

(w) any disposition of Equity Interests of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), where such disposition is made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such acquisition;

(x) the disposition of assets that are necessary or advisable, in the good faith judgment of the Issuer, in order to obtain the approval of any Governmental authority to consummate or avoid the prohibition or other restrictions on the consummation of any Permitted Investment, acquisition or similar Investment; and

(y) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets; *provided, however*, that in the opinion of the Board of Directors of the Issuer or a direct or indirect parent, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole).

For the avoidance of doubt, the unwinding of Swap Contracts shall not be deemed to constitute an Asset Sale.

"**B&B Proceeds Loan**" means the loan to be made by the Issuer to B&B Italia S.p.A. with a portion of the proceeds of the Notes issuance as described in this Offering Memorandum under "*Summary—The Transactions*".

"**beneficial owner**" has the meaning given to that term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will not be deemed to have beneficial ownership of any securities that such "person" has the right to acquire or vote only upon the happening of any future event or contingency (including the passage of time) that has not yet occurred. The terms "beneficial ownership," "beneficially owns" and "beneficially owned" have a corresponding meaning.

"**Board of Directors**" means as to any Person, the board of directors, board of managers, sole member or managing member or other governing body of such Person, or if such Person is owned or managed by a single entity or has a general partner, the board of directors, board of managers, sole member or managing member or other governing body of such entity or general partner, or in each case, any duly authorized committee thereof, and the term "*directors*" means members of the Board of Directors.

Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a direct or indirect parent of the Issuer pursuant to a delegation of powers of the Board of Directors of the Issuer.

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to November 15, 2021 in the case of the Fixed Rate Notes or November 15, 2019 in the case of the Floating Rate Notes; provided, however, that if the period from the redemption date to November 15, 2021 in the case of the Fixed Rate Notes or, 2019 in the case of the Floating Rate Notes is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to November 15, 2021 in the case of the Fixed Rate Notes or November 15, 2019 in the case of the Floating Rate Notes is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, Milan, Copenhagen or London are authorized or required by law to close.

"**Capital Markets Debt**" means any Indebtedness consisting of bonds, debentures, notes or similar debt issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease, notwithstanding any election to apply IFRS as of a later date or GAAP as set forth in the definition of "IFRS"). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Cash Contribution Amount**" means the aggregate amount of cash contributions made to the capital of the Issuer or any Guarantor and designated as a "Cash Contribution Amount" as described in the definition of "Contribution Indebtedness".

"**Cash Equivalents**" means:

(1) euros, U.S. Dollars, Canadian Dollars, Japanese yen, pounds sterling, RMB or the national currency of any participating member state of the European Union and other currencies held by a Holdings Entity or Subsidiaries in the ordinary course of business;

(2) securities issued or directly guaranteed or insured by the government of the United States, Canada or any country that is a member of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof in each case with maturities not exceeding two years from the date of acquisition;

(3) money market deposits, certificates of deposit, time deposits, eurodollar or other recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-3" or the equivalent thereof (or has an equivalent long-term rating) by S&P or at least "P-3" or the equivalent thereof (or has an equivalent long-term rating) by Moody's or at least "F3" or the equivalent thereof (or has an equivalent long-term rating) by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above and clause (6) below entered into with any financial institution or securities dealers of recognized national standing meeting the qualifications specified in clause (3) above;

(5) commercial paper or variable or fixed rate notes issued by a corporation or other Person (other than an Affiliate of the Issuer) rated at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F3" or the equivalent thereof by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization if the three named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in each case maturing within two years after the date of acquisition;

(6) readily marketable direct obligations issued by the United States of America, any state, commonwealth or territory of the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having Investment Grade Status from either Fitch, Moody's or S&P (or, if at the time, none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(7) Indebtedness or preferred stock issued by Persons (other than the Initial Investors) with a rating of "BBB–" or higher from S&P, "Baa3" or higher from Moody's or "BBB-" from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), in each case, with maturities not exceeding two years from the date of acquisition, and marketable short-term money market and similar securities having a rating of at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F3" or the equivalent thereof by Fitch (or reasonably equivalent ratings of another Nationally Recognized Statistical Rating Organization);

(8) investment funds investing at least 95% of their assets in investments of the types described in clauses (1) through (7) above and (9), (10) and (11) below;

(9) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated "AAA" (or the equivalent thereof) or better by S&P or "Aaa3" (or

the equivalent thereof) or better by Moody's (or reasonably equivalent ratings of another Nationally Recognized Statistical Rating Organization);

(10) in the case of investments by any Subsidiary or investments made in a country outside the United States of America, Canada, any province of Canada, any member of the European Union, Switzerland or Norway, other investments of comparable tenor and credit quality to those described in the foregoing clauses (1) through (9) above and (11) below customarily utilized in the countries where such Subsidiary is located or in which such investment is made; and

(11) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent).

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (1) above; *provided* that such amounts are converted into any currency listed in clause (1) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"**Cash Management Services**" means any of the following to the extent not constituting a line of credit (other than an overnight draft facility that is not in default): automated clearing house transactions, treasury and/or cash management services, including, without limitation, treasury, depository, overdraft, credit, purchasing or debit card, non-card e-payables services, electronic funds transfer, treasury management services (including controlled disbursement services, overdraft automatic clearing house fund transfer services, return items and interstate depository network services), other demand deposit or operating account relationships, foreign exchange facilities and merchant services.

"**Change of Control**" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any ''person'' or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the holding company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"**Clearstream**" means Clearstream Banking, S.A., as currently in effect or any successor securities clearing agency.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"**Completion Date**" means the date of completion of the Acquisition.

"**Completion Date Collateral**" has the meaning ascribed to that term in the Offering Memorandum.

"**Consolidated EBITDA**" means, with respect to any Person and its Restricted Subsidiaries on a consolidated basis for any period, the Consolidated Net Income of such Person for such period:

(1) increased, in each case (other than with respect to clauses (k), (l) and (n) below) to the extent deducted and not added back or excluded in calculating such Consolidated Net Income (and without duplication), by:

   (a) provision for taxes based on income, profits or capital, including federal, state, provincial, territorial, local, foreign, unitary, franchise, excise, property and similar taxes and foreign withholding and similar taxes paid or accrued, including giving effect to any penalties and interest with respect thereto, and state taxes in lieu of business fees (including business license fees) and payroll tax credits, income tax credits and similar credits and including an amount equal to the amount of tax distributions actually made to the holders of Equity Interests of such Person or its Restricted Subsidiaries or any direct or indirect parent of such Person or its Restricted Subsidiaries in respect of such period (in each case, to the extent attributable to the operations of such Person and its Subsidiaries), which shall be included as though such amounts had been paid as income taxes directly by such Person or its Restricted Subsidiaries; *plus*

   (b) Consolidated Interest Expense; *plus*

   (c) all depreciation and amortization charges and expenses, including amortization or expense recorded for upfront payments related to any contract signing and signing bonus and incentive payments; *plus*

   (d) the amount of any interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any Restricted Subsidiary of such Person that is not a Wholly Owned Restricted Subsidiary of such Person; *plus*

   (e) the amount of management, monitoring, consulting, transaction, advisory and exit fees (including termination fees) and related indemnities, charges and expenses paid or accrued to or on behalf of any direct or indirect parent of the Issuer, any member of the Board of Directors of the Issuer or any of the Permitted Holders or any Affiliate of a Permitted Holder, in each case, to the extent permitted under "*—Certain Covenants—Transactions with Affiliates*;" *plus*

   (f) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments incurred in connection with any acquisition or other Investment and paid or accrued during the applicable period, including any mark-to-market adjustments; *plus*

   (g) all payments, charges, costs, expenses, accruals or reserves in connection with the rollover, acceleration or payout of equity interests held by any future, present or former director, officer, employee, manager, consultant or independent contractor of the Issuer or any of its Restricted Subsidiaries and all losses, charges and expenses related to payments made to holders of options, cash settled appreciation rights or other derivative

equity interests in the common equity of such Person or any direct or indirect parent of the Issuer in connection with, or as a result of, any distribution being made to equityholders of such Person or any of its direct or indirect parents, which payments are being made to compensate such holders as though they were equityholders at the time of, and entitled to share in, such distribution; *plus*

(h) all non-cash losses, charges and expenses, including any write-offs or write-downs; *provided* that if any such non-cash charge represents an accrual or reserve for potential cash items in any future four-fiscal quarter period, (i) such Person may determine not to add back such non-cash loss, charge or expense in the period for which Consolidated EBITDA is being calculated and (ii) to the extent such Person does decide to add back such non-cash loss, charge or expense, the cash payment in respect thereof in such future four-fiscal quarter period will be subtracted from Consolidated EBITDA for such future four-fiscal quarter period; *plus*

(i) all costs and expenses in connection with pre-opening and opening and closure and/or consolidation of facilities that were not already excluded in calculating such Consolidated Net Income; *plus*

(j) restructuring charges; accruals or reserves (and adjustments to existing reserves) and business optimization expense, including any restructuring costs and integration costs incurred in connection with the Transactions and any other acquisitions; start-up costs (including entry into new market/channels and new service offerings); costs related to the closure, relocation, reconfiguration and/or consolidation of facilities and costs to relocate employees; integration and transaction costs; retention charges; severance; contract termination costs; recruiting and signing bonuses and expenses; future lease commitments; systems establishment costs; systems, facilities or equipment conversion costs; excess pension charges, curtailments or modifications to pension and post-retirement employment benefit plans (including and settlement of pension liabilities) and consulting fees; expenses attributable to the implementation of costs savings initiatives; costs associated with tax projects/audits, expenses relating to any decommissioning or reconfiguration of fixed assets for alternative uses and costs consisting of professional consulting or other fees relating to any of the foregoing and fees, costs and expenses associated with acquisition-related litigation and settlements thereof; *plus*

(k) Pro Forma Cost Savings; *plus*

(l) all adjustments of the nature used in connection with the calculation of Adjusted EBITDA and Target Group Synergized EBITDA (or similar pro forma non-IFRS measures) as set forth in the section entitled the "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Target Group Synergized EBITDA and Pro Forma Other Financial Information*" in this Offering Memorandum to the extent adjustments of such nature continue to be applicable during the period in which Consolidated EBITDA is being calculated; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or cost or revenue synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Basis"; *plus*

(m) the amount of loss or discount on sale of receivables and related assets to the Receivables Subsidiary in connection with a Receivables Financing, factoring financing, securitization or similar arrangement (in each case, excluding Recourse Factoring or Securitization); *plus*

(n) with respect to any joint venture of such Person or any Restricted Subsidiary thereof that is not a Restricted Subsidiary, an amount equal to (i) such Person's or such Restricted Subsidiary's proportionate share of the net income of such joint venture that is excluded from Consolidated Net Income as a result of clause (h)(i) of the definition of Consolidated Net Income and (ii) the proportion of those items described in clauses (a),

(b) and (c) above relating to such joint venture corresponding to such Person's and the Restricted Subsidiaries' proportionate share of such joint venture's Consolidated Net Income (determined as if such joint venture were a Restricted Subsidiary) solely to the extent Consolidated Net Income was reduced thereby; *plus*

(o) any costs or expense Incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, any severance agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under ''*Certain Covenants—Limitation on Restricted Payments*''; plus

(p) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*

(q) any net loss included in the Consolidated Net Income attributable to non-controlling interests; and the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto *plus*

(r) any net pension or other post-employment benefit costs representing amortization of unrecognized prior service costs, actuarial losses, including amortization of such amounts arising in prior periods, amortization of the unrecognized net obligation (and loss or cost), and any other items of a similar nature; *plus*

(s) any (i) Transaction Expenses and (ii) any fees, costs, expenses or charges related to any actual, proposed or contemplated Equity Offering (including any expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company), Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred under the Indenture (including a refinancing thereof) (whether or not successful), in each case, including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, the Revolving Credit Facility Agreement, the offering of any other debt securities, any other Credit Agreement and any Receivables Fees, and (ii) any amendment, waiver or other modification of the Notes, the Revolving Credit Facility Agreement, the Intercreditor Agreement, any Security Documents, Recourse Factoring or Securitization, Receivables Financings or similar arrangements, any other Credit Agreement, any other Indebtedness permitted to be Incurred under the Indenture or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income;

(2) *decreased* (without duplication and to the extent increasing such Consolidated Net Income for such period) by (i) non-cash gains or income, excluding any non-cash gains that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that were deducted (and not added back) in the calculation of Consolidated EBITDA for any prior period ending after the Issue Date and (ii) the amount of any minority interest income consisting of a Subsidiary loss attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary (to the extent not deducted from Consolidated Net Income for such period);

(3) *increased* (with respect to losses) or *decreased* (with respect to gains) by, without duplication, any net cash or realized gains and losses relating to (i) amounts denominated in

foreign currencies resulting from the application of IAS 21 (including net realized gains and losses from exchange rate fluctuations on intercompany balances and balance sheet items, net of realized gains or losses from related Swap Contracts (entered into in the ordinary course of business or consistent with past practice)) or (ii) any other amounts denominated in or otherwise trued-up to provide similar accounting as if they were denominated in foreign currencies; and

(4) *increased* (with respect to losses) or *decreased* (with respect to gains) by, without duplication, any gain or loss relating to Swap Contracts (excluding Swap Contracts entered into in the ordinary course of business or consistent with past practice);

provided that the Issuer may, in its sole discretion, elect to not make any adjustment for any item pursuant to the foregoing clauses (1) through (4) above if any such item individually is less than €1 million in any fiscal quarter.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the sum, without duplication, of:

(a) the aggregate interest expense of such Person and its Restricted Subsidiaries for such period, calculated on a consolidated basis in accordance with IFRS, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including pay in kind interest payments, amortization of original issue discount, the interest component of Capitalized Lease Obligations and net payments and receipts (if any) pursuant to Swap Contracts (other than in connection with the early termination thereof) but excluding any non-cash interest expense attributable to the movement in the mark-to-market valuation of Indebtedness, Swap Contracts or other derivative instruments, all amortization and write-offs of deferred financing fees, debt issuance costs, commissions, discounts, fees and expenses and expensing of any bridge, commitment or other financing fees, costs of surety bonds, charges owed with respect to letters of credit, bankers' acceptances or similar facilities, and all discounts, commissions, fees and other charges associated with any Receivables Financing); *plus*

(b) consolidated capitalized interest of the referent Person and its Restricted Subsidiaries for such period, whether paid or accrued; *less*

(c) (i) interest income of the referent Person and its Restricted Subsidiaries for such period (ii) accretion or accrual of discounted liabilities other than Indebtedness, (iii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition and depreciation charges in respect of interest capitalized in a period following the Issue Date, (iv) interest with respect to Indebtedness of any Holdings Entities of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (v) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness, which is included in interest expense under IFRS and (vi) any commissions, discounts, yield after fees and charges related to factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization;

provided that (a) when determining Consolidated Interest Expense in respect of any four-quarter period ending prior to the first anniversary of the Issue Date, Consolidated Interest Expense will be calculated by multiplying the aggregate Consolidated Interest Expense accrued since the Issue Date by 365 and then dividing such product by the number of days from and including the Issue Date to and including the last day of such period and (b) in the case of any Person that became a Restricted Subsidiary of such Person after the commencement of such four-quarter period, the interest expense of such Person paid in cash prior to the date on which it became a Restricted Subsidiary of such Person will be disregarded. For purposes of this definition, interest on Capitalized Lease Obligations will be deemed to accrue at the interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligations in accordance with IFRS. Consolidated Interest Expense shall not include any interest expense relating to Subordinated Shareholder Funding.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, calculated on a consolidated basis in accordance with IFRS and before any reduction in respect of Preferred Stock dividends; *provided* that (without duplication):

(a) all net after-tax extraordinary, nonrecurring, exceptional or unusual gains, losses, income, expenses and charges in each case as determined in good faith by such Person, and in any event including, without limitation, all restructuring, severance, relocation, retention and completion payments, consolidation, integration or other similar charges and expenses, contract termination costs, system establishment charges, conversion costs, start-up or closure or transition costs, expenses related to any reconstruction, decommissioning, recommissioning or reconfiguration of fixed assets for alternative uses, fees, expenses or charges relating to curtailments, settlements or modifications to pension and post-retirement employee benefit plans in connection with the Transactions or any acquisition or Permitted Investment, expenses associated with strategic initiatives, facilities shutdown and opening costs, and any fees, expenses, charges or change in control payments related to the Transactions or any acquisition or Permitted Investment (including any transition-related expenses (including retention or transaction-related bonuses or payments) incurred before, on or after the Issue Date), will be excluded;

(b) all (i) losses, charges and expenses relating to the Transactions, (ii) transaction fees, costs, expenses and charges incurred in connection with the consummation of any equity issuances, investments, acquisitions, dispositions, recapitalizations, mergers, amalgamations, option buyouts and the Incurrence, modification or repayment of Indebtedness permitted to be Incurred under the Indenture (including any Refinancing Indebtedness in respect thereof) or any amendments, waivers or other modifications under the agreements relating to such Indebtedness or similar transactions (in each case, whether or not consummated) and (iii) without duplication of any of the foregoing, non-operating or non-recurring professional fees, costs, expenses and charges for such period will be excluded;

(c) all net after-tax income, loss, expense or charge from abandoned, closed or discontinued operations and any net after-tax gain or loss on the disposal of abandoned, closed or discontinued operations (and all related expenses) other than in the ordinary course of business (as determined in good faith by such Person) will be excluded;

(d) all net after-tax gain, loss, expense or charge attributable to business dispositions and asset dispositions, including the sale or other disposition of any Equity Interests of any Person, other than in the ordinary course of business (as determined in good faith by such Person) will be excluded;

(e) all net after-tax income, loss, expense or charge attributable to the early extinguishment, conversion or cancellation of Indebtedness, Swap Contracts or other derivative instruments (including deferred financing costs written off and premiums paid) will be excluded;

(f) all non-cash gains, losses, expenses or charges attributable to the movement in the mark-to-market valuation of Indebtedness, Swap Contracts or other derivative instruments will be excluded;

(g) any non-cash or unrealized foreign currency translation or foreign currency transaction gains and losses related to changes in currency exchange rates (including remeasurements of Indebtedness and any net loss or gain resulting from (i) Swap Contracts for currency exchange risk and (ii) intercompany Indebtedness), will be excluded;

(h) (i) the net income for such period of any Person that is not the referent Person or a Restricted Subsidiary of the referent Person or that is accounted for by the equity method of accounting, will be included only to the extent of the amount of dividends or distributions or other payments that are paid in (or converted into or that, as reasonably determined by a responsible financial or accounting officer of the referent Person or a Restricted Subsidiary of

the referent Person, could have been paid in or converted into (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (v) below, cash) with respect to such equity ownership to the referent Person or a Restricted Subsidiary thereof in respect of such period and (ii) without duplication, the net income for such period will include any ordinary course dividends or distributions or other payments paid in cash (or converted into cash) with respect to such equity ownership received from any such Person during such period in excess of the amounts included in subclause (i) above;

(i) the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies will be excluded;

(j) the effects of purchase accounting, fair value accounting or recapitalization accounting adjustments (including the effects of such adjustments pushed down to the referent Person and its Restricted Subsidiaries) resulting from the application of purchase accounting, fair value accounting or recapitalization accounting in relation to the Transactions or any acquisition consummated before or after the Issue Date, and the amortization, write-down or write-off of any amounts thereof, net of taxes, will be excluded;

(k) all non-cash impairment charges and asset write-ups, write-downs and write-offs, in each case pursuant to IFRS, and the amortization of intangibles arising from the application of IFRS will be excluded;

(l) all non-cash expenses realized in connection with or resulting from equity or equity-linked compensation plans, employee benefit plans or agreements or post-employment benefit plans or agreements, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock, stock appreciation or other similar rights will be excluded;

(m) any costs or expenses incurred in connection with the payment of dividend equivalent rights to holders of equity-based incentive awards pursuant to any management equity plan, stock option plan or any other management or employee benefit plan or agreement or post-employment benefit plan or agreement will be excluded;

(n) accruals and reserves for liabilities or expenses that are established or adjusted as a result of the Transactions within 24 months after the Completion Date will be excluded;

(o) all amortization and write-offs of deferred financing fees, debt issuance costs, commissions, fees and expenses, costs of surety bonds, charges owed with respect to letters of credit, bankers' acceptances or similar facilities, and expensing of any bridge, commitment or other financing fees (including in connection with a transaction undertaken but not completed), will be excluded;

(p) all discounts, commissions, fees and other charges (including interest expense) associated with any Receivables Financing, factoring financing, securitization or similar arrangement will be excluded;

(q) (i) the non-cash portion of "straight-line" rent expense will be excluded and (ii) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense will be included;

(r) expenses and lost profits with respect to liability or casualty events or business interruption will be disregarded to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer, but only to the extent that such amount (i) has not been denied by the applicable carrier in writing and (ii) is in fact reimbursed within 365 days of the date on which such liability was discovered or such casualty event or business interruption occurred (with a deduction for any amounts so added back that are not reimbursed within such 365-day period); *provided* that any proceeds of such reimbursement

when received will be excluded from the calculation of Consolidated Net Income to the extent the expense or lost profit reimbursed was previously disregarded pursuant to this clause (r);

(s) losses, charges and expenses that are covered by indemnification or other reimbursement provisions in connection with any asset disposition will be excluded to the extent actually reimbursed, or, so long as such Person has made a determination that a reasonable basis exists for indemnification or reimbursement, but only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days);

(t) non-cash charges or income relating to adjustments to deferred tax asset valuation allowances will be excluded;

(u) cash dividends or returns of capital from Investments (such return of capital not reducing the ownership interest in the underlying Investment), in each case received during such period, to the extent not otherwise included in Consolidated Net Income for that period or any prior period subsequent to the Issue Date will be included;

(v) solely for the purpose of determining the amount available for Restricted Payments under clause (c) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*", and without duplication of provisions under clause (c) of the first paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" with respect to cash dividends or returns on Investments, the net income (or loss) for such period of any Restricted Subsidiary (other than a Guarantor) will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived; *provided* that Consolidated Net Income of such Person will be increased by the amount of dividends or other distributions or other payments actually paid or could have been paid in cash (or to the extent converted into cash) or Cash Equivalents to such Person or any of its Restricted Subsidiaries in respect of such period, to the extent not already included therein (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause (v));

(w) any Initial Public Company Costs will be excluded;

(x) any (i) severance or relocation costs or expenses, (ii) one-time non-cash compensation charges, (iii) the costs and expenses related to employment of terminated employees, or (iv) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights of officers, directors and employees, in each case, of such Person or any of its Restricted Subsidiaries, shall be excluded;

(y) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(z) any net gain (or loss) from disposed, abandoned or discontinued operations and any net gain (or loss) on disposal of disposed, discontinued or abandoned operations; and

(aa) any non-cash interest expense and non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Notes and the date on which all the Notes cease to be outstanding, shall be excluded;

provided that the Issuer may, in its sole discretion, elect to not make any adjustment for any item pursuant to clauses (a) through (y) above if any such item individually is less than €1 million in any fiscal quarter.

For the purpose of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*" only, there shall be excluded from Consolidated Net Income any income arising from the sale or other disposition of Restricted Investments, from repurchases or redemptions of Restricted Investments, from repayments of loans or advances which constituted Restricted Investments or from any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries, in each case to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clauses (c)(5) or (c)(6) of the first paragraph thereof.

"**Consolidated Senior Secured Net Debt Ratio**" means, as of any date of determination, the ratio of (1) (x) Senior Secured Indebtedness as of such date *minus* (y) the amount of cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of determination, and in each case, calculated on a Pro Forma Basis to (2) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date, calculated on a Pro Forma Basis; *provided*, *however*, that the pro forma calculation shall not give effect to (i) any Senior Secured Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than Indebtedness Incurred pursuant to clause (n)(2) of the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or (ii) the discharge on such determination date of any Senior Secured Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than the discharge of Indebtedness using proceeds of Indebtedness Incurred pursuant to clause (n)(2) of the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*").

"**Consolidated Total Indebtedness**" means, without double-counting, the sum of (A) any Reserved Indebtedness Amount; and (B) all Indebtedness of the type described in clause (1)(a), clause (1)(b) (but excluding surety bonds, performance bonds or other similar instruments), clause (1)(d) (but solely in respect of the amount of outstanding Indebtedness of the type described in clause (1)(d) that is in excess of €2.5 million) and clause (2) (in respect of Indebtedness of the type described in clauses (1)(a), (1)(b) (but excluding Indebtedness constituting surety bonds, performance bonds or other similar instruments) and clause (1)(d) (but solely in respect of the amount of Indebtedness of the type described in clause (1)(d) that is in excess of €2.5 million)) of the definition of "Indebtedness", of a Person and its Restricted Subsidiaries on a consolidated basis, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with IFRS (but (x) excluding the effects of any discounting of Indebtedness resulting from the application of purchase accounting in connection with the Transactions or any acquisition and (y) any Indebtedness that is issued at a discount to its initial principal amount shall be calculated based on the entire stated principal amount thereof, without giving effect to any discounts or upfront payments), excluding obligations in respect of letters of credit, bank guarantees and guarantees on first demand, in each case, except to the extent of unreimbursed amounts thereunder. For the avoidance of doubt, it is understood that obligations (i) under Swap Contracts, Cash Management Services, and any Receivables Financing, factoring financing, securitization or similar arrangements (in each case, other than Recourse Factoring or Securitization), and (ii) owed by Unrestricted Subsidiaries, do not constitute Consolidated Total Indebtedness.

"**Consolidated Total Net Debt Ratio**" means, as of any date of determination, the ratio of (1) (x) Consolidated Total Indebtedness of the Issuer as of such date *minus* (y) the amount of cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of

determination, and in each case, calculated on a Pro Forma Basis to (2) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date, calculated on a Pro Forma Basis; *provided*, *however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" or (ii) the discharge on such determination date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*".

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor,

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**continuing**" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Contribution Indebtedness**" means Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount which, when taken together with any refinancing Indebtedness in respect thereof, is not greater than the aggregate amount of cash contributions (other than Excluded Contributions) from the issuance or sale of its Subordinated Shareholder Funding or Capital Stock or otherwise made to the capital of the Issuer or any Restricted Subsidiary (other than, in the case of such Restricted Subsidiary, contributions by the Issuer or any other Restricted Subsidiary to its capital) after the Issue Date and designated as a Cash Contribution Amount; *provided* that such Contribution Indebtedness is so designated as Contribution Indebtedness pursuant to an Officer's Certificate on the Incurrence date thereof.

"**Credit Agreement**" means (i) the Revolving Credit Facility Agreement and (ii) whether or not the Revolving Credit Facility Agreement remains outstanding, if designated by the Issuer to be included in the definition of "Credit Agreement," one or more (A) debt facilities, indentures or commercial paper facilities providing for revolving credit loans, term loans, notes, debentures, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit or other Indebtedness, (B) debt securities, notes, mortgages, guarantees, collateral documents, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances) or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, increased (*provided* that such increase in borrowings is permitted under the Indenture), replaced or refunded in whole or in part from time to time and whether by the same or any other agent, lender or investor or group of lenders or investors and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the

foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Agreement" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Danish Capital Markets Act**" means Consolidated Act No. 12 of 8 January 2018 on capital markets (*kapitalmarkedsloven*) as amended and supplemented from time to time.

"**Danish Companies Act**" means Consolidated Act No. 1089 of 14 September 2015 on companies (*selskabsloven*) as amended and supplemented from time to time.

"**Default**" means any event which is, or after notice or the passage of time or both would be, an Event of Default.

"**Designated Non-cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent sale of or collection on such Designated Non-cash Consideration. A particular item of Designated Non-cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Asset Sales*."

"**Designated Preferred Stock**" means Preferred Stock of the Issuer or any direct or indirect parent of the Issuer, as applicable (other than Excluded Equity), that is issued after the Issue Date for cash and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate, on the issuance date thereof, the cash proceeds of which are contributed to the capital of the Issuer (if issued by any Holdings Entity or any other direct or indirect parent of the Issuer) and excluded from the calculation set forth in clause (c) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*".

"**Disqualified Stock**" means, with respect to any Person, any Equity Interests of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is puttable, redeemable or exchangeable), in each case, at the option of the holder thereof or upon the happening of any event:

(1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale; *provided* that the relevant asset sale or change of control provisions, taken as a whole, are no more favorable in any material respect to holders of such Equity Interests than the asset sale and change of control provisions applicable to the Notes and any purchase requirement triggered thereby may not become operative until compliance with the asset sale and change of control provisions applicable to the Notes (including the purchase of any Notes tendered pursuant thereto)),

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock, or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in each case, prior to the date that is 91 days after the earlier of the maturity date of the Notes and the date the Notes are no longer outstanding; *provided* that only the portion of Equity Interests that so mature or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided*, *further*, that if such Equity Interests are issued to any employee or to any plan for the benefit of employees of the Issuer or its Subsidiaries or a direct or indirect

parent of the Issuer or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries or a direct or indirect parent of the Issuer in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided*, *further*, that any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that are not Disqualified Stock shall not be deemed to be Disqualified Stock. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock. Only the portion of Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"**DTC**" means The Depository Trust Company or any successor thereto.

"**Equity Contribution**" means the contributions (by way of cash, Equity Interests contributed or the sale or issuance of Equity Interests or Subordinated Shareholder Funding or otherwise) to the Issuer or any Restricted Subsidiary made, either directly or indirectly, by the Initial Investors or Management Investors, as the case may be, in order to provide the Issuer with capital, when taken together with the proceeds of the Notes, sufficient to consummate the Transactions on the Completion Date.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any Capital Stock that arises only by reason of the happening of a contingency or any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means any public or private sale on or after the Issue Date of Capital Stock or Preferred Stock of the Issuer or any direct or indirect parent of the Issuer, as applicable (other than Disqualified Stock), other than:

(1) public offerings with respect to the Issuer's or such direct or indirect parent's common stock registered on Form S-4 or Form S-8 or successor form thereto;

(2) issuances to any Subsidiary of the Issuer; and

(3) any such public or private sale that constitutes an Excluded Contribution or Refunding Capital Stock.

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**European Government Obligations**" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another Nationally Recognized Statistical Rating Organization on the Issue Date, for

the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**European Union**" means all members of the European Union as of the Issue Date. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Excluded Contributions**" means the Net Cash Proceeds and Cash Equivalents, or the Fair Market Value of property or other assets, received by the Issuer after the Issue Date from:

(1) contributions to its common equity capital,

(2) the sale of Capital Stock (other than Excluded Equity) of the Issuer, and

(3) the sale of Subordinated Shareholder Funding,

in each case designated as Excluded Contributions pursuant to an Officer's Certificate, or that are utilized to make a Restricted Payment pursuant to clause (2) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*". Excluded Contributions will be excluded from the calculation set forth in clause (c) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*".

"**Excluded Equity**" means (i) Disqualified Stock, (ii) any Equity Interests or Subordinated Shareholder Funding issued or sold to a Restricted Subsidiary or any employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries or a direct or indirect parent of the Issuer (to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Subsidiary or a direct or indirect parent of the Issuer), (iii) any Equity Interest or Subordinated Shareholder Funding that has already been used or designated (x) as (or the proceeds of which have been used or designated as) a Cash Contribution Amount, Designated Preferred Stock, an Excluded Contribution, an Excluded Amount or Refunding Capital Stock, or (y) to increase the amount available under clause (4)(a) of the third paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" or clause (13) of the definition of "Permitted Investments" or is proceeds of Indebtedness referred to in clause (13)(b) of the third paragraph under "*—Certain Covenants—Limitation on Restricted Payments*" and (iv) the Equity Contribution.

"**Fair Market Value**" means, with respect to any asset or property, the price that could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect parent of the Issuer, whose determination will be conclusive for all purposes under the Indenture and the Notes).

"**Fitch**" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Fixed Charge Coverage Ratio**" means, with respect to any Person as of any date, the ratio of (1) Consolidated EBITDA of such Person for the most recent period of four consecutive fiscal quarters for which internal financial statements are available immediately preceding the date on which such calculation of the Fixed Charge Coverage Ratio is made, calculated on a Pro Forma Basis for such period to (2) the Fixed Charges of such Person for such period calculated on a Pro Forma Basis. In the event that the Issuer or any of its Restricted Subsidiaries Incurs or redeems or repays any Indebtedness (other than in the case of revolving credit borrowings or revolving advances under any Qualified Receivables Financing unless the related commitments have been

terminated and such Indebtedness has been permanently repaid and has not been replaced) or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Preferred Stock or Disqualified Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to, substantially simultaneously with, or in connection with, the event for which the calculation of the Fixed Charge Coverage Ratio is made, then the Fixed Charge Coverage Ratio shall be calculated on a Pro Forma Basis; *provided* that, in the event that the Issuer shall classify Indebtedness Incurred on the date of determination as Incurred in part as debt under the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and in part pursuant to one or more clauses of the definition of "Permitted Debt" (other than in respect of clause (n)(1) of such definition) as provided in the third paragraph of such covenant, any calculation of Fixed Charges pursuant to this definition on such date (but not in respect of any future calculation following such date) shall not include any such Indebtedness (and shall not give effect to any repayment, repurchase, redemption, defeasance or other acquisition, retirement or discharge of Indebtedness from the proceeds thereof) to the extent Incurred pursuant to any such other clause of such definition.

"**Fixed Charges**" means, with respect to any Person for any period, the sum of (without duplication)*:*

(1) Consolidated Interest Expense of such Person for such period,

(2) the product of (a) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries for such period and (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined federal, state and local statutory tax rate of such Person and its Restricted Subsidiaries, expressed as a decimal, in each case, on a consolidated basis and in accordance with IFRS, and

(3) Fixed Charges that would have arisen from any Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount.

"**Flos Proceeds Loan**" means the loan to be made by the Issuer to Flos S.p.A. with a portion of the proceeds of the Notes issuance as described in this Offering Memorandum under "*Summary—The Transactions*".

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession (but excluding the policies, rules and regulations of the SEC applicable only to public companies).

"**Governmental Authority**" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including a central bank, stock exchange or any applicable supranational bodies (such as the European Union or the European Central Bank)

"**guarantee**" means, as to any Person, a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"**Guarantee**" means any guarantee of the Obligations of the Issuer under the Indenture and the Notes in accordance with the provisions of the Indenture.

"**Guarantors**" means, collectively, each Restricted Subsidiary of the Issuer that Incurs a Guarantee of the Notes; *provided* that upon the release or discharge of such Person from its Guarantee in accordance with the Indenture, such Person automatically ceases to be a Guarantor.

"**Hedging Obligations**"' of any Person means the obligations of such Person pursuant to any Swap Contract.

"**Holdco**" means (i) Design Holdings S.p.A. or (i) any direct parent of the Issuer established in connection with a Permitted Reorganization and, in each case, their respective successors.

"**holder**" or "**noteholder**" means the Person in whose name a Note is registered on the registrar's books.

"**Holdings Entities**" or "**parent**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any parent.

"**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time; *provided*, *however*, that on any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS in effect on a date that is on or prior to the date of such election for the purposes of the Indenture (except for the covenant described under "*Certain Covenants—Reports*"). Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS.

At any time after the Issue Date, the Issuer may elect to apply GAAP in lieu of IFRS and, upon any such election, references herein to "IFRS" shall thereafter be construed to mean GAAP as in effect from time to time after such election (except as otherwise provided in the Indenture); *provided* that any such election, once made, shall be irrevocable; *provided further*, that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer pursuant to the covenants set forth under "*Certain Covenants—Reports*" in GAAP. The Issuer shall promptly give notice of any such election made in accordance with this definition to the Trustee. Following the election referred to in this paragraph,

(1) all ratios, computations, and other determinations based on IFRS contained in the Indenture, subject to the last paragraph of this definition, shall be computed in accordance with GAAP with retroactive effect being given thereto assuming that such election had been made on the Issue Date; *provided* that for the calculation of any amounts available for Restricted Payments pursuant to clause (c)(1) of the first paragraph under "*Certain Covenants—Limitation on Restricted Payments*", at the date of election, the Issuer shall make a determination of the amount available for Restricted Payments under such clause based on the most recent quarter for which internal consolidated financial statements of the Issuer are available under IFRS (the "Election Date Amount"), and from such date, will calculate amounts available for Restricted Payments pursuant to clause (c)(1) of the first paragraph under "*Certain covenants—Limitation on Restricted Payments*" by adding to or subtracting from (as the case may be) the Election Date Amount any further amounts determined for future periods using GAAP; and

(2) with respect to the definition of "Indebtedness", any current or future lease, concession or license of property (or guarantees thereof) that would be considered an operating lease under IFRS as applied by the Issuer as of the Issue Date shall always be considered an operating lease under IFRS.

Notwithstanding the foregoing, with respect to all ratios and calculations based upon IFRS contained in the Indenture, any lease, concession or license of property that would be considered an operating lease under IFRS as applied by the Issuer as of the Issue Date and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be computed in accordance with IFRS as applied by the Issuer as of the Issue Date.

"**Incur**" means issue, create, assume, enter into any guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be ''Incurred'' at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person, without duplication:

(1) the principal of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the deferred and unpaid purchase price of any property, (d) in respect of Capitalized Lease Obligations or (e) representing any Swap Contracts, in each case, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Swap Contracts) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS;

(2) to the extent not otherwise included, any guarantee by such Person of the Indebtedness of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); and

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); *provided*, *however*, that the amount of such Indebtedness will be the lesser of: (a) the Fair Market Value of such asset on the date such Indebtedness was Incurred or, at the option of such Person, at such date of determination, and (b) the amount of such Indebtedness of such other Person.

The term "Indebtedness" shall not include any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practices, or obligations under any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practices.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practices;

(ii) obligations under or in respect of Receivables Financings or factoring transactions (other than Recourse Factoring or Securitization);

(iii) any balance that constitutes a trade payable, accrued expense or similar obligation to a trade creditor, in each case Incurred in the ordinary course of business;

(iv) intercompany liabilities that would be eliminated on the consolidated balance sheet of the Issuer and its consolidated Subsidiaries;

(v) prepaid or deferred revenue arising in the ordinary course of business;

(vi) Cash Management Services;

(vii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(viii) obligations, to the extent such obligations would otherwise constitute Indebtedness, under any agreement that has been defeased or satisfied and discharged pursuant to the terms of such agreement;

(ix) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, deferred compensatory or employee or director equity plans, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes;

(x) Capital Stock (other than Disqualified Stock of the Issuer or any Restricted Subsidiary and Preferred Stock of any Restricted Subsidiary);

(xi) Subordinated Shareholder Funding; or

(xii) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "*Certain Covenants—Merger, Consolidation, Amalgamation or Sale of all or Substantially all Assets*".

"**Independent Financial Advisor**" means an accounting, appraisal or investment banking firm or consultant, in each case of nationally recognized standing that is, in the good faith determination of the Issuer, qualified to perform the task for which it has been engaged.

"**Initial Investors**" means any of (1) CEP IV Participations S.à r.l. SICAR., (2) Carlyle Partners VII Cayman Holdings, L.P. (3) Investindustrial S.A. and (4) one or more investment funds advised, managed or controlled (directly or indirectly) by the foregoing and, in each case (whether individually or as a group), any direct or indirect Subsidiaries or Affiliates of the foregoing (but excluding any operating portfolio companies of the foregoing).

"**Initial Public Company Costs**" means, as to any Person, costs relating to compliance with the provisions of the Securities Act and the Exchange Act (or similar regulations applicable in other listing jurisdictions), as applicable to companies with equity securities held by the public, costs associated with, or in anticipation of, or preparation for, compliance with the requirements of the Sarbanes Oxley Act of 2002 (or similar non-U.S. regulations) and the rules and regulations promulgated in connection therewith (or similar regulations applicable in other listing jurisdictions), the rules of national securities exchange companies with listed equity, directors' compensation, fees and expense reimbursement, costs relating to investor relations, shareholder meetings and reports to shareholders, directors' and officers' insurance and other executive costs, legal and other professional fees, and listing fees, in each case to the extent arising solely by virtue of the initial listing of such Person's equity securities on a national securities exchange (or similar non-U.S. exchange); *provided* that any such costs arising from the costs described above in respect of the ongoing operation of such Person as a listed equity or its listed debt securities following the initial listing of such Person's equity securities or debt securities, respectively, on a national securities exchange (or similar non-U.S. exchange) shall not constitute Initial Public Company Costs.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer, the Targets, Holdings Entities, or any direct or indirect parent or Restricted Subsidiary or any successor of the Issuer or any direct or indirect parent or Restricted Subsidiary of the Issuer (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Initial Purchasers**" means J.P. Morgan Securities plc, Goldman Sachs International, UniCredit Bank AG, HSBC Bank plc, DNB Markets, a division of DNB Bank ASA and Natixis, collectively.

"**Intellectual Property**" means the Intellectual Property Rights owned or used by the Issuer or any Restricted Subsidiary or the interests of the Issuer or any Restricted Subsidiary in any such Intellectual Property Rights, together with the benefit of all agreements entered into or the benefit of which is enjoyed by the Issuer or any Restricted Subsidiary relating to the use or exploitation of any such Intellectual Property Rights.

"**Intellectual Property Rights**" means all patents and patent applications, trade and service marks and trade and service mark applications (and all goodwill associated with any such registrations and applications), all brand and trade names, all copyrights and rights in the nature of copyright, all design rights, all registered designs and applications for registered designs, all inventions, all trade secrets, all know-how and all other intellectual property rights.

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date between, *inter alios*, the Issuer, UniCredit S.p.A. as RCF agent, the Trustee and the Security Agent, as amended, restated or otherwise modified or varied from time to time.

"**Investment Grade Securities**" means:

(1) securities issued or directly guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents),

(2) securities issued directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents),

(3) securities or instruments with a rating equal to or higher than "BBB—" from S&P, "Baa3" from Moody's or "BBB—" from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries,

(4) investments in any fund that invests at least 95% of its assets in investments of the type described in clauses (1), (2) and (3) above and clause (5) below which fund may also hold immaterial amounts of cash pending investment and/or distribution,

(5) corresponding instruments in countries other than the United States customarily utilized for high quality investments and in each case with maturities not exceeding two years from the date of acquisition, and

(6) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at or above par.

"**Investment Grade Status**" shall be achieved when the Notes receive the following from at least two of the three Rating Agencies a rating equal to or higher than (1) "Baa3" (or the equivalent) by Moody's; (2) "BBB-" (or the equivalent) by S&P; (3) "BBB" (or equivalent) by Fitch, or if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**Investments**" means, with respect to any Person, (i) all investments by such Person in other Persons (including Affiliates) in the form of (a) loans (including guarantees of Indebtedness), (b) advances or capital contributions (excluding accounts receivable, trade credit and advances or other payments made to customers, dealers, suppliers and distributors and payroll, commission, travel and similar advances to officers, directors, managers, employees, consultants and independent contractors made in the ordinary course of business), and (c) purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any such other Person and (ii) investments that are required by IFRS to be classified on the balance sheet of the Issuer in the same manner as the other investments included in clause (i) of this definition to the extent such transactions involve the transfer of cash or other property; *provided* that Investments shall not include, in the case of the Issuer and the Restricted Subsidiaries,

intercompany loans, advances, or Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any Restricted Subsidiary, or any Restricted Subsidiary issues any Equity Interests, in either case, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Restricted Subsidiary retained. In no event shall a guarantee of an operating lease of the Issuer or any Restricted Subsidiary be deemed an Investment. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investments" shall include the portion (proportionate to the Issuer's equity interests in such Subsidiary) of the Fair Market Value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

    (a) the Issuer's Investment in such Subsidiary at the time of such redesignation, *less*

    (b) the portion (proportionate to the Issuer's equity interests in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time (including for purposes of calculating the amount of any Investment outstanding at any time under any provision of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*", and otherwise determining compliance with such covenant) shall be the original cost of such Investment (determined, in the case of any Investment made with assets of the Issuer or any Restricted Subsidiary, based on the Fair Market Value of the assets invested and without taking into account subsequent increases or decreases in value), reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Issuer or a Restricted Subsidiary in respect of such Investment and shall be net of any Investment by such Person in the Issuer or any Restricted Subsidiary.

"**IPO Entity**" has the meaning given in the definition of Initial Public Offering.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity (or other applicable entity) at the time of closing of the Initial Public Offering multiplied by (ii) the price per shares at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means November 16, 2018.

"**Issuer**" means International Design Group S.p.A., a *società per azioni* incorporated under the laws of Italy or any other Successor Company in accordance with the Indenture.

"**Italian Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"**joint venture**" means any joint venture or similar arrangement (in each case, regardless of legal formation), including but not limited to collaboration arrangements, profit sharing arrangements or other contractual arrangements.

"**JV Distributions**" means, at any time, 50% of the aggregate amount of all cash dividends or distributions received by the Issuer or any of its Restricted Subsidiaries as a return on an

Investment in a Permitted Joint Venture during the period from the Issue Date through the end of the fiscal quarter most recently ended immediately prior to such date for which financial statements are internally available; *provided* that the Issuer or any of its Restricted Subsidiaries are not required to reinvest such dividends or distributions in the Permitted Joint Venture.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction); *provided* that in no event shall an operating lease or an agreement to sell be deemed to constitute a Lien.

"**LP Proceeds Loan**" means the loan to be made by the Issuer to Luminous Designs Investments ApS with a portion of the proceeds of the Notes issuance, as described in this Offering Memorandum under "*Summary—The Transactions*".

"**Management Advances**" means loans or advances made to, or guarantees of Indebtedness of, directors, officers, employees, managers, consultants or independent contractors of any direct or indirect parent of the Issuer, the Issuer or any Restricted Subsidiary, including but not limited to:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any direct or indirect parent of the Issuer with (in the case of this sub-clause (b)) the approval of the Board of Directors, in each case, for bona fide or in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office for bona fide or in the ordinary course of business; and

(3) (in the case of this clause (3)) not exceeding the greater of €5 million and 3.75% of Consolidated EBITDA in the aggregate outstanding at any time.

"**Management Agreements**" means those certain services agreements or monitoring agreements between the Issuer or any of its Affiliates, on the one hand, and any of the Initial Investors, on the other hand to be entered into in connection with the Transactions, as the same may be amended, restated, modified or replaced, from time to time, to the extent such amendment, modification or replacement is not more disadvantageous to the holders of the Notes in any material respect than the applicable services agreement or monitoring agreement entered into in connection with the Transactions.

"**Management Investors**" means (i) members of the management team of the Issuer, the Targets or the Target Group who invest or commit to invest, directly or indirectly, in the Targets, another Restricted Subsidiary or a direct or indirect parent of the Issuer on the Completion Date through a management equity program, (ii) persons who are or become members of the management team of the Issuer, the Targets, or the Issuer's or the Targets' Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders") and who invest, directly or indirectly, in a direct or indirect parent of the Issuer, the Issuer, the Targets or the Issuer's or the Targets' Subsidiaries through a management equity plan and (iii) any entity that may hold shares transferred by departing members of the management team of a direct or indirect parent of the Issuer, the Issuer or the Targets, or the Issuer's, the Targets' Subsidiaries for future redistribution to the management team of the Issuer, the Targets, or the Issuer's, the Targets' Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of a direct or indirect parent of the Issuer, the Issuer, the Targets, or the Issuer's, the Targets' Subsidiaries.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity (or other applicable entity) on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Maximum Fixed Repurchase Price**" means, in respect of any Disqualified Stock or Preferred Stock that does not have a fixed repurchase price, the repurchase price calculated in accordance with the terms of such Disqualified Stock or Preferred Stock as if such Disqualified Stock or Preferred Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock or Preferred Stock, such fair market value shall be determined reasonably and in good faith by the Issuer.

"**Moody's**" means Moody's Investors Service, Inc. or any successor or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act.

"**Net Cash Proceeds**" means the aggregate cash proceeds (using the Fair Market Value of any Cash Equivalents) received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received in respect of or upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale and any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, and including any proceeds received as a result of unwinding any related Swap Contracts in connection with such transaction but excluding the assumption by the acquiring Person of Indebtedness relating to the disposed assets or other consideration received in any other non-cash form), net of the direct cash costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration (including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions), and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements related thereto), amounts required to be applied to the repayment of principal, premium (if any) and interest on Indebtedness required (other than pursuant to the second paragraph of the covenant described under "*—Certain Covenants—Asset Sales*") to be paid as a result of such transaction, any costs associated with unwinding any related Swap Contracts in connection with such transaction and any deduction of appropriate amounts to be provided by the Issuer or any of its Restricted Subsidiaries as a reserve in accordance with IFRS against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any of its Restricted Subsidiaries after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"**Non-Guarantor Subsidiary**" means any Restricted Subsidiary of the Issuer that is not a Guarantor.

"**Notes Documents**" means the Notes (including Additional Notes issued from time to time), the Escrow Agreement, the Escrow Charge, the Shortfall Agreement, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"**Obligations**" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters

of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"**Offering Memorandum**" means the Offering Memorandum related to this offering of Notes, dated November 9, 2018.

"**Officer**" means, with respect to any Person, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary (or any person serving the equivalent function of any of the foregoing) of such Person (or of any direct or indirect parent, general partner, managing member or sole member of such Person) or any individual designated as an "Officer" for purposes of the Indenture by the Board of Directors of such Person (or the Board of Directors of any direct or indirect parent or the general partner, managing member or sole member of such Person).

"**Officer's Certificate**" means a certificate signed on behalf of the Issuer or any direct or indirect parent of the Issuer by an Officer of such Issuer or such parent entity that meets the requirements set forth in the Indenture.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"**Pari Passu Indebtedness**" means:

(1) with respect to the Issuer, the Notes and any Indebtedness that ranks *pari passu* in right of payment to the Notes; and

(2) with respect to any Guarantor, its Guarantee and any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"**Permitted Asset Swap**" means the purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that such purchase and sale or exchange must occur within 90 days of each other and any cash or Cash Equivalents received must be applied in accordance with the covenant described under "*—Certain Covenants—Asset Sales*".

"**Permitted Collateral Liens**" means Liens on the Collateral:

(1) that are described in one or more of clauses (1), (2), (3), (4), (5), (7), (8), (12), (13), (19), (20), (28), (29), (30), (33), (36), (38), (40), (42), (43), (44), (46) and (48) of the definition of ''Permitted Liens'' and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) to secure:

  (a) the Notes issued on the Issue Date and any related Guarantees;

  (b) Indebtedness the Incurrence of which would not be prohibited under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

  (c) Indebtedness described under clause (a) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", which Indebtedness may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the holders than that accorded to the Revolving Credit Facility Agreement on the Completion Date pursuant to the Intercreditor Agreement;

(d) Indebtedness described under clause (i) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; provided that Swap Contracts entered into with respect to any Indebtedness, the Incurrence of which would not be prohibited under the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", may be entitled to receive proceeds of an enforcement of the Collateral in priority to the Notes in a manner not materially less favorable to the holders than that accorded to the Revolving Credit Facility Agreement on the Completion Date pursuant to the Intercreditor Agreement;

(e) Indebtedness described under clause (l) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", to the extent Incurred by a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(f) Indebtedness described under clause (n) or clause (cc) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(g) Indebtedness described under clauses (c) (other than with respect to Capitalized Lease Obligations), (k) or (q) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(h) Indebtedness on a junior basis to the Notes;

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b), (d), (e), (f) and (g) (other than in respect of clause (k) or (q) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"), (h) and this clause (i); and

(3) Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that in total do not exceed the greater of €10 million and 7.5% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business,

provided, that, in the case of clauses (2) and (3) above, each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; provided, further, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or refinancing Indebtedness secure the Notes and the Indenture on a senior or pari passu basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (2)(c) and (2)(d) above.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Debt**" shall have the meaning assigned thereto in the covenant described under "*—Certain Covenants—Limitation on incurrence of Indebtedness and issuance of Disqualified Stock and Preferred Stock.*"

"**Permitted Holders**" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Management Investor, (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any IPO Entity, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence, but excluding Persons specified in clause (4) who are not specified in clause (1), (2) or (3)) are members; provided that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors (or at least one of them) and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies wholly owned by such group. Any Person or group, together with its Affiliates, whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(1) any Investment in cash and Cash Equivalents, Temporary Cash Investments or Investment Grade Securities and Investments that were Cash Equivalents or Investment Grade Securities when made;

(2) any Investment in the Issuer (including the Notes) or any Restricted Subsidiary;

(3) any Investments by Subsidiaries that are not Restricted Subsidiaries in other Subsidiaries that are not Restricted Subsidiaries;

(4) any Investment by the Issuer or any Restricted Subsidiary in a Person that is primarily engaged in a Similar Business if as a result of such Investment (a) such Person becomes a Restricted Subsidiary or (b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary (and any Investment held by such Person that was not acquired by such Person in contemplation of so becoming a Restricted Subsidiary or in contemplation of such merger, consolidation, amalgamation, transfer, conveyance or liquidation);

(5) any Investment in securities or other assets received in connection with an Asset Sale made pursuant to the provisions of "*—Certain Covenants—Asset Sales*" or any other disposition of assets not constituting an Asset Sale;

(6) any Investment (x) existing on the Completion Date, (y) made pursuant to binding commitments in effect on the Completion Date or (z) that replaces, refinances, refunds, renews or extends any Investment described under either of the immediately preceding clauses (x) or (y), *provided* that any such Investment is in an amount that does not exceed the amount replaced, refinanced, refunded, renewed or extended, except as contemplated pursuant to the terms of such Investment in existence on the Completion Date or as otherwise permitted under this definition or the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) loans and advances to officers, directors, employees, managers, consultants and independent contractors for business-related travel and entertainment expenses, moving and relocation expenses and other similar expenses, in each case in the ordinary course of business;

(8) any Investment (x) acquired by the Issuer or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted

Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization by the Issuer or any such Restricted Subsidiary of such other Investment or accounts receivable, or (b) as a result of a foreclosure or other remedial action by the Issuer or any of its Restricted Subsidiaries with respect to any Investment or other transfer of title with respect to any Investment in default and (y) received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or (B) litigation, arbitration or other disputes;

(9) Swap Contracts and Cash Management Services permitted under clause (i) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(10) any Investment by the Issuer or any of its Restricted Subsidiaries in a Similar Business (other than an Investment in an Unrestricted Subsidiary) in an aggregate amount, taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding, not to exceed the greater of (x) €45 million and (y) 33.5% of Consolidated EBITDA; *provided*, *however*, that if any Investment pursuant to this clause (10) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (10) for so long as such Person continues to be a Restricted Subsidiary;

(11) additional Investments by the Issuer or any of its Restricted Subsidiaries in an aggregate amount, taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed the greater of (x) €45 million and (y) 33.5% of Consolidated EBITDA; *provided*, *however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (11) for so long as such Person continues to be a Restricted Subsidiary;

(12) any transaction to the extent it constitutes an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Transactions with Affiliates*" (except transactions described in clause (4), (5), (8), (9), (13) or (14) of such paragraph);

(13) Investments the payment for which consists of Equity Interests (other than Excluded Equity) of the Issuer or any direct or indirect parent of the Issuer, as applicable; *provided*, *however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*";

(14) Investments consisting of the leasing, licensing, sublicensing or contribution of intellectual property in the ordinary course of business or pursuant to joint marketing arrangements with other Persons;

(15) Investments consisting of purchases or acquisitions of inventory, supplies, materials and equipment or purchases, acquisitions, licenses, sublicenses or leases or subleases of intellectual property, or other rights or assets, in each case in the ordinary course of business;

(16) any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing or Recourse Factoring or Securitization, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or Recourse Factoring or Securitization or any related Indebtedness;

(17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into or consolidated with a Restricted Subsidiary in a transaction that is not prohibited by the covenant described under "*—Certain covenants—Merger, consolidation, amalgamation or sale of all or substantially all assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) repurchases of the Notes (including any Additional Notes);

(19) guarantees of Indebtedness the Incurrence of which would not be prohibited to be Incurred under "*—Certain covenants—Limitation on incurrence of Indebtedness and issuance of Disqualified Stock and Preferred Stock*", and Obligations relating to such Indebtedness and guarantees (other than guarantees of Indebtedness), keepwells and similar arrangements in the ordinary course of business;

(20) advances, loans or extensions of trade credit in the ordinary course of business by the Issuer or any of its Restricted Subsidiaries;

(21) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business;

(22) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Uniform Commercial Code Article 4 customary trade arrangements with customers;

(23) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures Incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries;

(24) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries in an aggregate amount, taken together with all other Investments made pursuant to this clause (24) that are at the time outstanding, not to exceed the greater of (x) €20 million and (y) 15% of Consolidated EBITDA; *provided* that the Investments permitted pursuant to this clause (24) may be increased by the amount of JV Distributions, without duplication of dividends or distributions increasing amounts available pursuant to clause (c) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(25) the Transactions (including payment of the purchase consideration under the Acquisition Agreement);

(26) accounts receivable, security deposits and prepayments and other credits granted or made in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and others, including in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with or judgments against, such account debtors and others, in each case in the ordinary course of business;

(27) Investments acquired as a result of a foreclosure by the Issuer or any Restricted Subsidiary with respect to any secured Investments or other transfer of title with respect to any secured Investment in default;

(28) Investments resulting from pledges and deposits that are Permitted Liens or Permitted Intellectual Property Liens;

(29) acquisitions of obligations of one or more officers or other employees of any direct or indirect parent of the Issuer, the Issuer or any Subsidiary of the Issuer in connection with such officer's or employee's acquisition of Equity Interests of any direct or indirect parent of the Issuer, so long as no cash is actually advanced by the Issuer or any Restricted Subsidiary to such officers or employees in connection with the acquisition of any such obligations;

(30) guarantees of operating leases or of other obligations that do not constitute Indebtedness, in each case, entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(31) Investments consisting of the redemption, purchase, repurchase or retirement of any Equity Interests permitted by the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(32) non-cash Investments made in connection with tax planning and reorganization activities, including in connection with a Permitted Reorganization;

(33) Investments made pursuant to obligations entered into when the Investment would have been permitted under the Indenture so long as such Investment when made reduces the amount available under the clause under which the Investment would have been permitted;

(34) Investments made in the ordinary course of business in connection with obtaining, maintaining or renewing client and customer contracts and loans or advances made to, and guarantees with respect to obligations of, distributors, suppliers, licensors and licensees in the ordinary course of business;

(35) Management Advances;

(36) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any direct or indirect parent of the Issuer as consideration; and

(37) Investments in loans under the Revolving Credit Facility Agreement and any future proceeds loan from the Issuer to a Restricted Subsidiary under an agreement and other Indebtedness of the Issuer or a Restricted Subsidiary permitted by the Indenture.

"**Permitted Joint Venture**" means, with respect to any specified Person, a joint venture in any other Person engaged in a Similar Business in respect of which the Issuer or a Restricted Subsidiary beneficially owns at least 35% of the shares of Equity Interests of such Person.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens Incurred in connection with workers' compensation laws, unemployment insurance laws or similar legislation, or in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or to secure public or statutory obligations of such Person or to secure surety, stay, customs or appeal bonds to which such Person is a party, or as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(2) Liens imposed by law, such as carriers', warehousemen's, landlords', materialmen's, repairman's, construction contractors', mechanics' or other like Liens, in each case for sums not yet overdue by more than 60 days or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review (or which, if due and payable, are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained, to the extent required by IFRS) or with respect to which the failure to make payment could not reasonably be expected to have a material adverse effect as determined in good faith by management of the Issuer or a direct or indirect parent of the Issuer;

(3) Liens for taxes, assessments or other governmental charges or levies (i) which are not yet due or payable, (ii) which are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained to the extent required by IFRS, or for property taxes on property such Person or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property or

(iii) with respect to which the failure to make payment could not reasonably be expected to have a material adverse effect as determined in good faith by management of the Issuer or a direct or indirect parent of the Issuer;

(4) Liens in favor of the issuers of performance and surety bonds, bid, indemnity, warranty, release, appeal or similar bonds or with respect to regulatory requirements or letters of credit or bankers' acceptances issued and completion of guarantees provided for, in each case, pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph and telephone and cable television lines, gas and oil pipelines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely interfere with the ordinary conduct of the business of such Person;

(6) Liens (a) existing on, or provided for or required to be granted on, the Issue Date or (b) with respect to the Target Group, (i) existing on, or provided for or required to be granted on the Completion Date, including in connection with the Transactions and (ii) securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Transactions;

(7) Liens on assets of, or Equity Interests in, a Person at the time such Person becomes a Subsidiary (other than liens described in clause (6) above); *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, that such Liens are limited to all or a portion of the assets (and improvements on such assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for purposes of this clause (7), if a Person becomes a Subsidiary, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer, and any assets of such Person or any Subsidiary of such Person shall be deemed acquired by the Issuer at the time of such merger, amalgamation or consolidation;

(8) Liens on assets at the time the Issuer or any of its Restricted Subsidiary acquired the assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or such Restricted Subsidiary (other than liens described in clause (6) above); *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, that such Liens are limited to all or a portion of the assets (and improvements on such assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for purposes of this clause (8), if, in connection with an acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary, a Person other than the Issuer or a Restricted Subsidiary is the successor company with respect thereto, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer or any Restricted Subsidiary, and any assets of such Person or any such Subsidiary of such Person shall be deemed acquired by the Issuer or any Restricted Subsidiary, at the time of such merger, amalgamation or consolidation;

(9) Liens securing Indebtedness or other obligations of the Issuer or a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary;

(10) Liens securing Swap Contracts Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(11) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit entered into in the ordinary course of business issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(12) leases, subleases, licenses, sublicenses, occupancy agreements or assignments of or in respect of real or personal property;

(13) Liens arising from, or from Uniform Commercial Code financing statement filings regarding, operating leases or consignments entered into by the Issuer and any of its Restricted Subsidiaries in the ordinary course of business;

(14) Liens in favor of the Issuer or any of its Restricted Subsidiaries;

(15) (i) Liens on accounts receivable and related assets of the type specified in the definition of "Receivables Financing" Incurred in connection with a Qualified Receivables Financing; (ii) Liens securing Indebtedness or other obligations of any Receivables Subsidiary and (iii) Liens securing Indebtedness Incurred pursuant to clause (u)(ii) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(16) deposits made or other security provided in the ordinary course of business to secure liability to insurance carriers or under self-insurance arrangements in respect of such obligations;

(17) Liens on the Equity Interests or other securities or assets of Unrestricted Subsidiaries;

(18) grants of software and other technology licenses;

(19) judgment and attachment Liens not giving rise to an Event of Default pursuant to clause (4), (5) or (6) of the first paragraph of "*—Defaults*" and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(20) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(21) Liens Incurred to secure Cash Management Services and other bank products (including those described in clauses (i) and (v) of the definition of "Permitted Debt");

(22) Liens securing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(23) other Liens securing obligations the principal amount of which does not exceed the greater of (x) €35 million and (y) 26% of Consolidated EBITDA, at any one time outstanding;

(24) (i) Liens on the Equity Interests or assets of a joint venture to secure Indebtedness of such joint venture Incurred pursuant to clause (t) of the definition of "Permitted Debt;" and (ii) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(25) Liens on equipment of the Issuer or any Restricted Subsidiary granted in the ordinary course of business to such Issuer's or such Restricted Subsidiary's client at which such equipment is located;

(26) (i) Liens created for the benefit of (or to secure) all of the Notes or the related Guarantees; (ii) Liens pursuant to the Intercreditor Agreement and the security documents entered into

pursuant to the Indenture or the Revolving Credit Facility Agreement, (iii) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (iv) Liens to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles and (v) Permitted Collateral Liens;

(27) Liens on property or assets used to redeem, repay, defease or to satisfy and discharge Indebtedness; *provided* that such redemption, repayment, defeasance or satisfaction and discharge is not prohibited by the Indenture;

(28) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation and exportation of goods in the ordinary course of business;

(29) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code, or any comparable or successor provision, on items in the course of collection; (ii) attaching to pooling, commodity trading accounts or other commodity brokerage accounts Incurred in the ordinary course of business; and (iii) in favor of banking or other financial institutions or entities, or electronic payment service providers, arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(30) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks or other Persons not given in connection with the issuance of Indebtedness; (ii) relating to pooled deposit or sweep accounts of the Issuer or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries; or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(31) any encumbrance or restriction (including put and call arrangements) with respect to Equity Interests of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(32) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(33) Liens on vehicles or equipment of the Issuer or any of its Restricted Subsidiaries granted in the ordinary course of business;

(34) Liens on assets or property of a Non-Guarantor Subsidiary securing Indebtedness of any Non-Guarantor Subsidiary or the Issuer permitted by the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(35) Liens disclosed by the title insurance policies delivered on or subsequent to the Issue Date and any replacement, extension or renewal of any such Liens (so long as the Indebtedness and other obligations secured by such replacement, extension or renewal Liens are permitted by the Indenture); *provided* that such replacement, extension or renewal Liens do not cover any property other than the property that was subject to such Liens prior to such replacement, extension or renewal;

(36) Liens arising solely by virtue of any statutory or common law provision or customary business provision relating to banker's liens, rights of set-off or similar rights;

(37) (a) Liens solely on any cash earnest money deposits made by the Issuer or any Restricted Subsidiary in connection with any letter of intent or other agreement in respect of any Permitted Investment and (b) Liens on advances of cash or Cash Equivalents in favor of the

seller of any property to be acquired in a Permitted Investment to be applied against the purchase price for such Investment;

(38) the prior rights of consignees and their lenders under consignment arrangements entered into in the ordinary course of business;

(39) Liens on securities that are the subject of repurchase agreements constituting Cash Equivalents under clause (4) of the definition thereof;

(40) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(41) rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Issuer or any of its Restricted Subsidiaries or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(42) restrictive covenants affecting the use to which real property may be put; *provided* that the covenants are complied with;

(43) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business;

(44) zoning by-laws and other land use restrictions, including, without limitation, site plan agreements, development agreements and contract zoning agreements;

(45) Liens on cash proceeds (including, for the avoidance of doubt, the Escrowed Proceeds) of Indebtedness (and on the related escrow accounts) in connection with the issuance of such Indebtedness into (and pending the release from) a customary escrow arrangement, to the extent such Indebtedness is Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(46) (i) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or purchase money obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (c) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property or (ii) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(47) for purposes of cash management arrangements among the Issuer and its Restricted Subsidiaries, Liens Incurred to secure back-to-back reimbursement obligations for working capital enhancement or other similar arrangements, the aggregate principal amount of which obligations or arrangements do not exceed €100 million at any one time outstanding;

(48) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (ii) any condemnation or eminent domain proceedings affecting any real property.

For purposes of determining compliance with this definition, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens described in this definition but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction, in each case, including all transactions related thereto involving the Issuer or any Restricted Subsidiary (a "Reorganization") that is made on a solvent basis; *provided* that:

(1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and the Restricted Subsidiaries; and

(2) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

Promptly upon consummation of a Permitted Reorganization, the Issuer will file with the Trustee a copy of the resolution of the Board of Directors of the Issuer or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and an Officer's Certificate certifying that such Permitted Reorganization complied with the terms of the Indenture and did not result in a Default or Event of Default.

"**Person**" means any individual, corporation, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government (or any agency or political subdivision thereof) or any other entity.

"**Post Completion Date Collateral**" has the meaning ascribed to that term in the Offering Memorandum.

"**Preferred Stock**" means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution or winding up.

"**Pro Forma Basis**" and "***pro forma effect***" mean, with respect to the calculation of any test, financial ratio, basket or covenant under the Indenture, including the Consolidated EBITDA, the Consolidated Senior Secured Net Debt Ratio, the Consolidated Total Net Debt Ratio and the Fixed Charge Coverage Ratio of any Person and its Restricted Subsidiaries, as of any date, that pro forma effect will be given to the Transactions, any acquisition, merger, amalgamation, consolidation, Investment, any issuance, Incurrence, assumption or repayment or redemption of Indebtedness (including Indebtedness issued, Incurred or assumed or repaid or redeemed as a result of, or to finance, any relevant transaction and for which any such definition, test, financial ratio, basket or covenant is being calculated), any issuance or redemption of Preferred Stock or Disqualified Stock, all sales, transfers and other dispositions or discontinuance of any Subsidiary, line of business, division, segment or operating unit, any operational change (including the entry into, amendment or renegotiation of any material contract or arrangement) or any designation of a Restricted Subsidiary to an Unrestricted Subsidiary or of an Unrestricted Subsidiary to a Restricted Subsidiary, in each case that have occurred during the four consecutive fiscal quarter period of such Person being used to calculate such test, financial ratio, basket or covenant (the "Reference Period"), or subsequent to the end of the Reference Period but prior to such date or prior to or substantially simultaneously with the event for which a determination under this definition is made (including (i) any such event occurring at a Person who became a Restricted Subsidiary of the subject Person or was merged, amalgamated or consolidated with or into the subject Person or any other Restricted Subsidiary of the subject Person after the commencement of the Reference Period and (ii) with respect to any proposed Investment or acquisition of the subject Person for which committed financing is or is sought to be obtained, the event for which

a determination under this definition is made may occur after the date upon which the relevant determination or calculation is made), in each case, as if each such event occurred on the first day of the Reference Period; *provided* that (x) pro forma effect will be given to reasonably identifiable and quantifiable pro forma synergies and cost savings or expense reductions related to operational efficiencies (including the entry into, amendment or renegotiation of any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements, in each case, that have been realized, or reasonably expected to be realized, by such Person and its Restricted Subsidiaries as if such cost savings, expense reductions, improvements and synergies occurred on the first day of the Reference Period and (y) no amount shall be added back pursuant to this definition to the extent duplicative of amounts that are otherwise included in computing Consolidated EBITDA for such Reference Period.

For purposes of making any computation referred to above:

(1) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date for which a determination under this definition is made had been the applicable rate for the entire period (taking into account any Swap Contracts applicable to such Indebtedness if such Swap Contract has a remaining term in excess of 12 months);

(2) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer, in his or her capacity as such and not in his or her personal capacity, of the Issuer or a direct or indirect parent of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS;

(3) interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate;

(4) interest on any Indebtedness under a revolving credit facility or a Qualified Receivables Financing computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period;

(5) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the definition of "Fixed Charge Coverage Ratio"; and

(6) to the extent not already covered above, any such calculation may include adjustments calculated in accordance with Regulation S-X under the Securities Act.

Any pro forma calculation may include, without limitation, (1) adjustments calculated in accordance with Regulation S-X under the Securities Act, (2) adjustments calculated to give effect to any Pro Forma Cost Savings and (3) all adjustments of the type used in connection with the calculation of "Adjusted EBITDA" and "Target Group Synergized EBITDA" (or similar *pro forma* non-IFRS measures) as set forth in the section entitled the "*Summary—Summary Pro Forma and Historical Financial Information and Other Data—Target Group Synergized EBITDA and Pro Forma Other Financial Information*" to the extent such adjustments, without duplication, continue to be applicable to the Reference Period; *provided* that any such adjustments that consist of synergies or reductions in costs and other operating improvements shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings".

"**Pro Forma Cost Savings**" means, without duplication of any amounts referenced in the definition of "Pro Forma Basis", an amount equal to the amount of cost savings, operating expense reductions, restructuring charges and expenses, operating improvements (including the entry into, amendment or renegotiation of any material contract or arrangement) and any acquisition (including the Transactions), disposition, divestiture or restructuring synergies, in each

case, projected in good faith to be realized (calculated on a pro forma basis as though such items had been realized on the first day of such period) as a result of actions taken or to be taken by the Issuer (or any successor thereto) or any Restricted Subsidiary, net of the amount of actual benefits realized or expected to be realized during such period that are otherwise included in the calculation of Consolidated EBITDA from such actions; *provided* that such cost savings, operating expense reductions, operating improvements and synergies are reasonably identifiable (as determined in good faith by a responsible financial or accounting officer, in his or her capacity as such and not in his or her personal capacity, of the Issuer (or any successor thereto) or of any direct or indirect parent of the Issuer) that is expected to result in such cost savings, expense reductions, operating improvements or synergies; *provided* that no cost savings, operating expense reductions, operating improvements and synergies shall be added pursuant to this definition to the extent duplicative of any expenses or charges otherwise added to Consolidated Net Income or Consolidated EBITDA, whether through a pro forma adjustment, add back exclusion or otherwise, for such period.

"**Public Market**" means any time after (1) an Equity Offering has been consummated and (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"**Qualified Receivables Financing**" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall have determined in good faith that such Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and its Restricted Subsidiaries,

(2) all sales of accounts receivable and related assets by the Issuer or any Restricted Subsidiary to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Issuer), and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms at the time the Receivables Financing is first introduced (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure any Credit Agreement shall not be deemed a Qualified Receivables Financing.

"**Rating Agency**" means (1) each of Moody's, Fitch and S&P and (2) if Moody's, Fitch or S&P ceases to rate the Notes for reasons outside of the Issuer's control, any Nationally Recognized Statistical Rating Organization selected by the Issuer or any direct or indirect parent of the Issuer as a replacement agency for Moody's, Fitch or S&P, as the case may be.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"**Receivables Financing**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, contribute, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, any accounts

receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Swap Contracts entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer or a direct or indirect parent of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer or a direct or indirect parent of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries or a direct or indirect parent of the Issuer and all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Issuer nor any other Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(3) to which neither the Issuer nor any other Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Recognized Stock Exchange**" means a regulated market operated by any of the Main Market of the London Stock Exchange, the New York Stock Exchange, NASDAQ, the Milan Stock Exchange, the Hong Kong Stock Exchange or such other similar regulated national securities exchange.

"**Recourse Factoring or Securitization**" means any transactions or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such

receivables, including on a *pro solvendo* basis, for which the Issuer or any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse "*pro-soluto*" factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any of its Restricted Subsidiaries pursuant to IFRS shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"**Refinancing Expenses**" means , in connection with any refinancing of any Indebtedness, Disqualified Stock or Preferred Stock otherwise permitted by the Indenture, the aggregate principal amount of additional Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay (1) accrued and unpaid interest, (2) the increased principal amount of any Indebtedness being refinanced resulting from the in-kind payment of interest on such Indebtedness (or in the case of Disqualified Stock or Preferred Stock being refinanced, additional shares of such Disqualified Stock or Preferred Stock); (3) the aggregate amount of original issue discount on the Indebtedness, Disqualified Stock or Preferred Stock being refinanced; (4) premiums (including tender premiums) and other costs associated with the redemption, repurchase, retirement, discharge or defeasance of Indebtedness, Disqualified Stock or Preferred Stock being refinanced, and (5) all fees and expenses (including underwriting discounts, commitment, ticking and similar fees, expenses and discounts) associated with the repayment of the Indebtedness, Disqualified Stock or Preferred Stock being refinanced and the incurrence of the Indebtedness, Disqualified Stock or Preferred Stock incurred in connection with such refinancing.

"**Refinancing Indebtedness**" means Indebtedness Incurred or Disqualified Stock or Preferred Stock issued that is Incurred or issued to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness, Disqualified Stock or Preferred Stock existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Issuer and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the refinancing Indebtedness has a final stated maturity at the time such refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (which, in the case of bridge loans or extendable bridge loans or other interim debt, shall be determined by reference to the notes or loans into which such bridge loans or extendable bridge loans or other interim debt would have been converted or for which such bridge loans or extendable bridge loans or interim debt would have been exchanged at maturity and will be subject to other customary offers to repurchase or mandatory prepayments upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or Guarantees, such refinancing Indebtedness is subordinated to the Notes or such Guarantees, as applicable, on terms at least as favorable to the holders as those contained in the documentation governing the Indebtedness being refinanced,

provided further, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Agreement or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Agreement or other Indebtedness.

"**Related Business Assets**" means assets (other than cash or Cash Equivalents) used or useful in a Similar Business; *provided* that any assets received by the Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless such Person is, or upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"**Related Person**" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means any taxes, charges or assessments, including, but not limited to, sales, use, transfer, rental, ad valorem, value-added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes, charges or assessments (other than income taxes), required to be paid by a Holdings Entity or any other direct or indirect parent of the Issuer by virtue of (i) its being incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer), (ii) issuing or holding Subordinated Shareholder Funding, (iii) being a holding company parent of the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer, (iv) receiving dividends from or other distributions in respect of the Capital Stock of the Issuer, any of its Subsidiaries or any other direct or indirect parent of the Issuer, (v) having guaranteed any obligations of the Issuer or any Subsidiary thereof, or having made any payment in respect of any of the items for which the Issuer or any of its Subsidiaries is permitted to make payments to any parent entity pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*", or (vi) acquiring, developing, maintaining, owning, prosecuting, protecting or defending its intellectual property and associated rights (including but not limited to receiving or paying royalties for the use thereof) relating to the business or businesses of the Issuer or any Subsidiary thereof.

"**Replacement Assets**" means (1) substantially all the assets of a Person primarily engaged in a Similar Business or (2) a majority of the Voting Stock of any Person primarily engaged in a Similar Business that will become, on the date of acquisition thereof, a Restricted Subsidiary.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of a Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this "Description of Notes," all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Issuer.

"**Revolving Credit Facility**" means the super senior revolving credit facility established pursuant to the Revolving Credit Facility Agreement.

"**Revolving Credit Facility Agreement**" means the super senior revolving credit facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the arrangers (as named therein), UniCredit S.p.A. as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"**S&P**" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"**Security Interests**" means the security interests in the Collateral that are created by the Security Documents.

"**Senior Secured Indebtedness**" means, without double-counting, any Indebtedness and any Reserved Indebtedness Amount, in each case, secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes or the Guarantees.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any business engaged or proposed to be engaged in by any member of the Target Group on the Completion Date and (b) any business, services or other activities that are similar, ancillary, complementary, incidental or related to, or an extension, development or expansion of, the businesses in which any member of the Target Group is engaged following the Acquisition on the Completion Date.

"**Spanish Capital Companies Act**" means the Spanish capital companies act *(Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital)*, as amended from time to time.

"**Specified Change of Control Event**" means a Change of Control *provided* that immediately prior to the occurrence of such event and immediately thereafter and, in each case, giving *pro forma* effect thereto (including receipt of any proceeds and repayment of any Indebtedness in connection therewith) the Consolidated Total Net Debt Ratio of the Issuer is less than 5.25 to 1.00. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Completion Date.

"**Specified Consolidated Total Net Debt Ratio**" means 3.50 to 1.00.

"**Specified Sponsors Overfunding Amount**" means the amount, if any, not to exceed €30 million, contributed (directly or indirectly) by one or more Initial Investors to the Issuer and not used to consummate the Transactions as evidenced to exist on the Completion Date and as reduced from time to time when applied in accordance with clause 7(B) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency, has occurred).

"**Subordinated Indebtedness**" means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms expressly subordinated in right of payment to the Notes, and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms expressly subordinated in right of payment to its Guarantee.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any direct or indirect parent, any Affiliate of any direct or indirect parent or any Permitted Holder or any Affiliate thereof (in each case, other than the Issuer or any of its Subsidiaries), in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case, issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to holders than those contained in the Intercreditor Agreement as in effect on the Completion Date with respect to the "Subordinated Liabilities" (as defined therein, *mutatis mutandis*).

"**Subsidiary**" means, with respect to any Person (1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of the Voting Stock is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, (2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity and (3) any Person that is consolidated in the consolidated financial statements of the specified Person in accordance with IFRS.

"**Swap Contract**" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement, including any obligations or liabilities under any such master agreement.

"**Targets**" means each of B&B Italia S.p.A., Flos S.p.A. and Luminous Designs Investments ApS.

"**Target Group**" means collectively, the Targets and their Subsidiaries.

"**Target Proceeds Loans**" means the (i) Flos Proceeds Loan, (ii) B&B Proceeds Loan and (iii) LP Proceeds Loan, collectively.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) any

country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P, "A" by Fitch or "A-1" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than a Restricted Subsidiary or the Issuer), with a rating at the time as of which any Investment therein is made of "P-3" (or higher) according to Moody's or "A-3" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A–" by S&P or Fitch or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"**Transaction Expenses**" means any fees, costs, expenses, charges Incurred or paid by the Issuer or any Restricted Subsidiary in connection with the Transactions, including any fees, costs, expenses and charges associated with settling any claims or action arising from a dissenting stockholder exercising its appraisal rights.

"**Transactions**" means all the transactions (and the transactions related thereto) as described in this Offering Memorandum under "*Summary—The Transactions*", including all transactions described in the definition of the "Transactions" in this Offering Memorandum.

"**Trust Officer**" means any officer within the corporate trust administration department of the Trustee, with direct responsibility for performing the Trustee's duties under the Indenture and also means, with respect to a particular corporate trust matter relating to the Indenture, any other officer of the Trustee to whom such matter is referred because of such person's knowledge of and familiarity with the particular subject.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or a Guarantor or any other Subsidiary of the Issuer that is not a Subsidiary to be so designated; and

(2) such designation and the Investment of the Issuer or the relevant Restricted Subsidiary in such Subsidiary would not be prohibited under "*Certain Covenants—Limitation on Restricted Payments*".

The Board of Directors of the Issuer or any direct or indirect parent of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that immediately after giving effect to such designation:

(x) (1) the Issuer could Incur €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio in the first paragraph of the covenant described under "*Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", or

(2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation,

in each case on a Pro Forma Basis taking into account such designation, and (y) no Event of Default shall have occurred and be continuing as a result of such designation.

Any such designation by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer shall be evidenced to the Trustee by promptly furnishing to the Trustee a copy of the

resolution of the Board of Directors of the Issuer or any direct or indirect parent of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of any Person as of any date means the Capital Stock of such Person that is entitled to vote in the election of the Board of Directors of such Person.

"**Wholly Owned Restricted Subsidiary**" means any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"**Wholly Owned Subsidiary**" of any Person means a direct or indirect Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of Notes sold to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, S.A. ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Each series of Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Except as set forth below, the Notes will be issued in registered global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of the Offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of the Book-Entry Interests will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the "holders" of Notes for any purpose under the Indenture.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the

Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Registrar or the Trustee to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent, who will make payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will treat the registered holders of the Global Notes (*i.e.*, Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the

Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes (as defined under "*Description of Notes—Events of Default*"), each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "*Transfer restrictions*".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book- Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer restrictions*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*", and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book- Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

The Notes represented by the Global Notes are expected to be listed on the Official List of the LuxSE and to be admitted to trading on the Euro MTF Market. Transfers of interests in the Global

Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and we fail 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 Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, each of the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if such Trustee's and the Issuer's requirements are met. The Issuer and the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond

sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer restrictions*".

So long as the Notes are listed on the Official List of the LuxSE and the rules of the LuxSE so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which we expect to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in Luxembourg so long as the Notes are listed on the Official List of the LuxSE and the rules of the LuxSE so require.

Global clearance and settlement under the Book-Entry system

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special timing considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing information

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under "*Listing and general information*".

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither we nor the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar take any responsibility for these operations and procedures and we urge investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

TAXATION

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy, the United States, and Denmark and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, in Italian, United States, or Danish law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to Italian, United States and Danish tax law below only have such meanings as defined therein for such respective section. The statements regarding Italy and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Target Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Interest on the Notes

Italian Resident Holders of the Notes

Italian Legislative Decree No. 239 of April 1,1996, as amended and supplemented ("Decree No. 239"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "Interest") from Notes to the extent: (i) Notes are issued by, *inter alia*, companies, whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA Agreement included in the list of States allowing an adequate exchange of information with the Italian tax authorities, as indicated by the Italian Ministerial Decree of September 4, 1996, as subsequently amended and supplemented and possibly further amended by future decrees issued pursuant to Article 11 par. 4 (c) of Decree No. 239 (the "**White List States**"); or (ii) Notes are listed on a qualifying regulated market or on a multilateral trading platform of EU Member States and of the states party to the EEA Agreement of White List States; or (iii) Notes are only held by qualified investors (as defined under Article 100 of the Italian Securities Act). The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("Decree No. 917"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to

pay at maturity an amount not lower than their nominal value or principal amount ("*valore nominale*") and (ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are subject to a tax, referred to as *imposta sostitutiva* (as defined below), levied at the rate of 26% (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the application of the so-called *risparmio gestito* regime (the "**Asset Management Option**") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("Decree No. 461"); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out mainly or exclusively commercial activities or professional associations; or

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities; or

(d) an investor exempt from Italian corporate income taxation.

All the above categories are classed as "net recipients".

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016.

Pursuant to Decree No. 239, the 26% *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("Intermediaries" and each an "Intermediary") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239. For the purposes of applying *imposta sostitutiva*, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of Notes, including in their capacity as Transferees.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 26% *imposta sostitutiva* if made to beneficial owners who are:

(a) Italian resident corporation or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;

(b) Italian resident partnerships carrying out commercial activities (*società in nome collettivo or società in accomandita semplice*);

(c) Italian resident open-ended or closed-ended collective investment funds, investment companies with fixed capital (SICAFs) or investment companies with variable capital (SICAVs)

established in Italy, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of December 5, 2005 ("Decree No. 252") and Italian resident real estate investment funds; and

(d) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized financial intermediary and have opted for the Asset Management Option.

Such categories are classed as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of the 26% *imposta sostitutiva*, gross recipients must:

(a) be the beneficial owners of payments of Interest on the Notes; and

(b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorized financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorized Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

(a) by any Italian bank or any Italian intermediary paying Interest to the holders of the Notes, or

(b) by the Issuer, and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct any *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the holders of the Notes, also in the net value of production for purpose of regional tax on productive activities—IRAP) of the holders of the Notes who are Italian resident corporations or similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26% annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Interest accrued on the Notes held by Italian collective investment funds, SICAVs and SICAFs is not subject to the *imposta sostitutiva*, but is included in the aggregate income of the investment funds, SICAVs and SICAFs. The Italian collective investment funds, SICAVs or SICAFs will not be subject to taxation on such result, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Where a holder of the Notes is an Italian resident real estate investment fund or a real estate SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended and supplemented, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real

estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by an Italian real estate investment fund or real estate SICAF is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Non-Italian Resident Holders of the Notes

Pursuant to Decree No. 239, payments of Interest in respect of Notes will not be subject to *imposta sostitutiva* at the rate of 26%, provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in White List States; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended and supplemented, in order to benefit from the exemption from *imposta sostitutiva*, are met or complied with in due time.

The 26% *imposta sostitutiva* may generally be reduced to 10% or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favorable, subject to timely filing of required documentation provided by the Measure of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organizations established in accordance with international agreements ratified in Italy, (ii) "institutional investors", whether or not subject to tax, which are established in White List States and (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26% *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes, if the Holder is not an institutional investor;

(b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file in due time with the relevant depository a declaration (*autocertificazione*) stating, inter alia, that he or she is a resident, for tax purposes (or established, for institutional investors), in a White List State. Such declaration (*autocertificazione*) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, inter alia, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to the non-resident holder of the Notes.

Payments made by an Italian resident guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under Notes Guarantees should be treated, in certain circumstances, as payment by

the relevant Issuer and should be subject to the tax regime described above. However, there is no public guidelines issued by the Italian tax authorities dealing with the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if any future Italian resident guarantor makes any payments in respect of Interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax at the applicable rate of 26 percent pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within twelve months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1% multiplied by the number of years of the duration of the Notes.

Capital Gains

Italian Resident Holders of the Notes

Pursuant to Decree No. 461, a 26% capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016.

Under the so-called "tax declaration regime", which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to the extent that they do not opt for the "*risparmio amministrato*" regime or the Asset Management Option, the 26% *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realized by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realized in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year.

Alternatively, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realized on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or transfer or redemption of the Notes, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, any realized capital gain is not required to be included in the annual income tax return of the holders of the Notes.

Special rules apply if the Notes are part of (i) a portfolio managed under the Asset Management Option by an Italian asset management company or an authorized intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento*, SICAV or SICAF). In both cases, capital gains on the Notes will not be subject to 26% *imposta sostitutiva* on capital gains.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the four subsequent years. Under the Asset Management Option the realized capital gain is not required to be included in the annual income tax return of the holders of the Notes.

In the case of Notes held by investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but a withholding or substitute tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a holder of the Notes that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year.

Where a holder of the Notes is an Italian resident real estate investment fund or a real estate SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended and supplemented, apply, capital gains realized will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of units or shares. Moreover, in certain circumstances, income realized by an Italian real estate investment fund or real estate SICAF is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Any capital gains realized by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian Resident Holders of the Notes

The 26% *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident

individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are resident for tax purposes in a White List State. Under these circumstances, if non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in White List States; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

(b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realized upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of Notes. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration with Italian banks, SIMs and other eligible entities, but non-resident holders of the Notes retain the right to waive this regime.

Inheritance and Gift Tax

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, as amended and supplemented, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law. Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

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Registration Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds (*scritture private non autenticate*) are subject to registration tax at a rate of €200 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

Stamp Duty

According to Article 13 par. 2-ter of the tariff Part I attached to Italian Presidential Decree No. 642 of October 26, 1972, as amended and supplemented, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. This stamp duty applies at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial products and cannot exceed the amount of €14,000 for holders of the Notes that are not individuals.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than twelve months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Financial Assets Deposited Abroad

According to Article 19 of Decree No. 201/2011, as amended and supplemented, Italian resident individuals holding financial assets—including the Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2%. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Taxpayers are generally entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended and supplemented, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*"). This discussion does not address the impact of the Medicare contribution tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, or to holders subject to special rules, such as banks, thrifts and other financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, brokers, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, S corporations, entities or arrangements treated as partnerships for U.S. federal income tax purposes or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States;

(ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a United States person for U.S. federal income tax purposes.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, non-U.S. or other tax laws.

Characterization of the Notes

In certain circumstances (see "*Description of Notes—Escrow of Proceeds*; *Special Mandatory Redemption*", "*Description of Notes—Optional Redemption*" and "*Description of Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount different from their stated principal amount (plus accrued and unpaid interest), or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer does not intend to treat the Notes as contingent payment debt instruments due to the possibility of such a redemption occurring and such excess payments being made. The Issuer's position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. The Issuer's position is not, however, binding on the IRS, and if the IRS successfully challenged this position, the tax consequences of owning and disposing of the Notes could be materially different than those described herein, including with respect to the character, timing and amount of income, gain or loss recognized. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the interest payment, translated at the spot rate of exchange on the date such payment is received, regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may recognize exchange gain or loss attributable to the actual disposition of the foreign currency so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the

first method, such U.S. holder will be required to include in income (as ordinary income) the U.S. dollar value of the amount of foreign currency that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such foreign currency amount will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may instead elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest.

The above election will apply to all debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of foreign currency exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of such interest payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, taxable exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income (as discussed above) to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*—Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized by a U.S. holder upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Certain Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Certain U.S. holders who are individuals and who own "specified foreign financial assets" (as defined in Section 6038D of the Code) with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally may constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Certain Danish Tax Considerations

The following is an overview description of general Danish tax rules applicable to individual investors and corporate investors resident in Denmark, according to the Danish tax laws in force as of the date of this Offering Memorandum, and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following overview does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors. Investors are, under all circumstances, strongly advised to contact their own tax advisor to clarify the individual consequences of their investment, holding and disposal of the Notes.

Withholding Tax

When the Issuer is not a Danish tax resident person, Denmark does not levy withholding tax on payments on Notes.

Individual Investors Resident in Denmark

Notes owned by individual investors who are resident in Denmark for Danish tax purposes may fall within two categories depending on whether the interest rate and/or the principal is adjusted according to certain reference assets.

For tax purposes a distinction is made between:

(a) Notes falling within Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*), which are Notes that are adjusted in accordance with price development on securities, goods, indices, assets or other metrics, as long as the price development can be subject to a financial contract, whether in the form of an adjustment of the principal or other payments under the Notes and whether or not the Notes Certificates are fully or only partially adjusted in accordance therewith; and

(b) other Notes, including Notes linked solely to the development in a foreign currency and certain consumer price or net price indices.

It is unlikely that the Notes will fall under Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*) since notes with fixed interest rates and notes with floating interest rates based on EURIBOR and similar reference interest rates are not considered as financial contracts for the purposes of Section 29, Subsection 3 of the Danish Capital Gains Tax Act (*kursgevinstloven*).

Interest

Income taxable as interest is taxed as capital income in the income year in which it falls due. Capital income is taxed at a rate of up to 42%.

Capital Gains

Gains and losses on Notes, including currency gains, are included in the calculation of capital income. However, an immateriality threshold will apply to the effect that net gains and losses on debt claims, debt in currency other than Danish kroner and certain units in certain types of investment funds falling under Section 22 of the Danish Act on Capital Gains on Shares (*aktieavancebeskatningsloven*) below DKK 2,000 per year will not be included in the taxable income. Further, tax deductibility of losses realized on Notes which are traded on a regulated market is subject to the Danish tax authorities having been notified of the acquisition of the Notes as further outlined in Section 15 of the Danish Capital Gains Tax Act (*kursgevinstloven*). Losses realized on Notes on which Denmark is prevented from taxing interest or gains pursuant to a tax treaty will not be deductible.

The Notes are taxed upon realization (*i.e.* redemption or disposal). Gains and losses are calculated in DKK as the difference between the acquisition sum and the value at realization.

From March 1, 2015, individuals may elect to apply a mark-to-market principle for all receivables (including Notes) traded on a regulated market and/or currency exchange gains and losses on receivables and debt (including Notes) denominated in currencies other than DKK. Once the mark-to-market principle is elected, a change back to the realization principle requires approval from the Danish tax authorities. Under the mark-to-market principle, a gain or a loss is calculated as the difference between the value of the Note at the beginning and the end of the income year, beginning with the difference between the acquisition sum of the Note and the value of the Note at the end of the same income year. Upon realization of the Note, the taxable income of that income year equals the difference between the value of the Note at the beginning of the income year and the value of the Note at realization. If the Note has been acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the value at realization.

Pension Funds

Notes subject to the Danish Act on Pension Yield (*pensionsafkastbeskatningsloven*) are taxed according the inventory-value principle. Gains and losses and any income taxable as interest are included when calculating the annual taxable income from pension funds. The tax rate is 15.3 per cent.

Corporate Investors Resident in Denmark

Interest

Income taxable as interest is taxed in the income year in which it accrues. The tax rate is 22%.

Capital gains

Gains and losses on Notes are included in the calculation of taxable income. The tax rate is 22%.

The Notes are taxed under the market-to-market principle entailing that a gain or a loss is calculated as the difference between the value of the Notes at the beginning and the end of the income year, beginning with the difference between the acquisition sum of the Notes and the value of the Notes at the end of the same income year. Upon realization of the Notes, the taxable income of that income year equals the difference between the value of the Notes at the beginning of the income year and the value of the Note at realization. If the Notes have been acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the value at realization.

Gift and Inheritance Tax

Transfer of the Notes by way of gift is subject to Danish gift tax for the beneficiary/transferee, if either the transferor or the transferee was a resident of Denmark for tax purposes at the time of the gift. Transfer of the Notes by way of inheritance is subject to Danish inheritance tax if the deceased was a resident of Denmark for tax purposes at the time of the death.

Tax treaties may limit Denmark's right to impose gift or inheritance tax on non-residents of Denmark.

Non-Resident Holders

A holder of the Notes will generally not be subject to Danish taxation on capital gains or interest payments if (i) such holder of Notes is not resident in Denmark and (ii) such holder of Notes does not carry on business in Denmark via a permanent establishment in Denmark to which the Notes are attributable.

Transfer Tax

The issuance of the Notes and transfers of the Notes are not subject to transfer tax or stamp duty in Denmark.

Wealth Taxation

No wealth taxation is applicable in Denmark.

Other Tax Considerations

Payment by a Guarantor

If a guarantor of the Notes makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of ERISA, individual retirement accounts ("**IRAs**") and other plans and arrangements that are subject to Section 4975 of the Code or employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other plans that are not subject to the foregoing but may be subject to Similar Laws, and entities whose underlying assets are considered to include "plan assets", within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA), (as further described below) of any such plan, account or arrangement (each, a "**Plan**").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code or an entity whose underlying assets are considered to include "plan assets", as described above (a "**Benefit Plan**") and prohibit certain transactions involving the assets of a Benefit Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should consult with its counsel in order to determine the suitability of the notes for such Plan, including whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law and the need for, and the availability, if necessary, of any exemptive relief under any such laws or regulations. In addition, a fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each Benefit Plan, including IRAs and other arrangements that are subject to Section 4975 of the Code, should consider the fact that none of the Company, the guarantors or the initial purchasers or any of their respective affiliates (the "**Transaction Parties**") is acting, or will act, as a fiduciary to any Benefit Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective Benefit Plan purchaser on an arm's length basis.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Benefit Plans from engaging in certain transactions involving plan assets with persons or entities who are "parties in interest", within the meaning of ERISA, or "disqualified persons", within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Benefit Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by a Benefit Plan with respect to which a Transaction Party is considered a party in

interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the Plan. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan and non-fiduciary service providers to the Benefit Plan. In addition, the United States Department of Labor has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to the acquisition and holding of the Notes. These class exemptions (as may be amended from time to time) include, without limitation, PTCE 84-14 (respecting transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (respecting insurance company pooled separate accounts), PTCE 91-38 (respecting bank collective investment funds), PTCE 95-60 (respecting life insurance company general accounts) and PTCE 96-23 (respecting transactions directed by in-house asset managers).

Each of these PTCEs contains conditions and limitations on its application. Thus, the fiduciaries of a Benefit Plan that is considering acquiring and/or holding the Notes in reliance of any of these, or any other, PTCEs should carefully review the conditions and limitations of the PTCE and consult with their counsel to confirm that it is applicable. There can be no, and we do not provide any, assurance that any PTCE or any other exemption will be available with respect to any particular transaction involving the Notes.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding (i) are entitled to exemption relief from the prohibited transaction provisions of ERISA and the Code and are otherwise permissible under all applicable Similar Laws or (ii) would not otherwise constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any violation of applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive, nor should it be construed as legal advice. Due to the complexity of these rules and the excise taxes, penalties and liabilities that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering acquiring the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the suitability of an acquisition of the Notes in light of such prospective purchaser's particular circumstances, potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investments and whether an exemption would be applicable to the purchase and holding of the Notes. The sale of a Note to a Plan is in no respect a representation by any Transaction Party or any of their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or that such investment is appropriate for any such Plan.

Representation

Accordingly, by acceptance of a Note, or any interest therein, each purchaser and subsequent transferee will be deemed to have represented and warranted that (x) either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Note constitutes assets of any Plan; or (ii) the acquisition and holding of the Note by such purchaser or transferee does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any violation of Similar Laws, and (y) none of the Company, the initial purchasers or the guarantors or any other party to the transactions contemplated by this offering memorandum or any of their respective affiliates is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement among the Issuer and the Initial Purchasers dated as of the date of this Offering Memorandum (the "**Purchase Agreement**"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the entire principal amount of the Notes. The Initial Purchasers are J.P. Morgan Securities plc, UniCredit Bank AG, Goldman Sachs International, DNB Markets, a division of DNB Bank ASA, HSBC Bank plc and Natixis. Sales in the United States may be made through affiliates of the Initial Purchasers.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from us, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes being sold pursuant to the Purchase Agreement if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue prices that appear on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering prices and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel. The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. None of the Issuer, the Targets or the Guarantors will for a period of 45 days after the date of the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of, except the Notes and the guarantees thereof, any debt securities issued or guaranteed by the Guarantors or the Issuer that are substantially similar to the Notes without the prior written consent of the representatives under the Purchase Agreement.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the relevant offering price set forth on the cover page of this Offering Memorandum.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to persons who are not U.S. persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information*" and "*Transfer Restrictions*". In the Purchase Agreement, each Initial Purchaser has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer;
- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- to the extent it is also a "Manufacturer", as defined in MiFID II, it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "*Transfer restrictions*".

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+5**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "*Transfer restrictions*". The Issuer has applied, through its listing agent, to list the Notes on the Official List of the LuxSE and to have the Notes admitted to trading on the Euro MTF Market. However, the Issuer cannot assure you that such listing will be accepted or maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes, as permitted by applicable law. The Initial Purchasers are not, however, obligated to make a market in the Notes and may discontinue any market making in the Notes at any time in 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 U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market will develop for the Notes or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk factors—Risks Related to the Notes, the Notes Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited".*

You should be aware that the laws and practices of certain countries require investors to pay stamp duty, taxes and other charges in connection with purchases of securities.

In connection with the Offering, the Stabilization Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. The Stabilization Manager may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilization Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilization Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or the existence of trading markets for, the Notes.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transaction. These

transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers or their respective affiliates are full-service financial institutions, engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past, provide currently and may provide in the future, commercial lending and banking, investment banking, hedging, consulting and financial advisory services to the Issuer, the Targets, the Guarantors and their respective subsidiaries and affiliates in the ordinary course of business for which they have received, and in the future may receive, customary fees, commissions and expenses. We intend to use a portion of the net proceeds from the offering to redeem certain existing indebtedness of the Targets (as described under "*Use of proceeds*") and, to the extent that the Initial Purchasers or their respective affiliates are lenders under any such indebtedness, they will receive a portion of the proceeds of the offering. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Targets, the Guarantors or their respective affiliates (including the Notes). The Initial Purchasers or their affiliates may also receive allocations of the Notes. Funds and/or other investment vehicles advised by affiliates of The Carlyle Group are expected to place a purchase order for and be allocated Notes at a purchase price per Note equal to the relevant issue price set forth on the cover page of this Offering Memorandum.

Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer, the Targets, the Guarantors or their respective affiliates may hedge the relevant credit exposure consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Initial Purchasers or their respective affiliates will also act as mandated lead arrangers and/or lenders under the Revolving Credit Facility and will receive customary fees for their services in such capacities. Additionally, certain of the Initial Purchasers or certain of their respective affiliates have committed to fund a senior secured bridge facility to provide financing for the Acquisitions in the event the offering of the Notes is not consummated. In addition, certain proceeds from the offering of the Notes will be used to repay all outstanding amounts due under a facility incurred in connection with the acquisition of LP by Investindustrial in August 2018. Certain of the Initial Purchasers are lenders under such facility and received fees in connection therewith. Furthermore, J.P. Morgan Securities plc is acting as M&A advisor to Investindustrial and Carlyle on the Acquisitions.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Notes Guarantees offered hereby.

The Notes and the Notes Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

(i) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

(ii) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(i) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(ii) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer, the Guarantors or the offering of the Notes, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for

which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(i) to the Issuer, the Guarantors or any subsidiaries thereof;

(ii) under a registration statement that has been declared effective under the U.S. Securities Act;

(iii) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(iv) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act;

(v) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

(i) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(ii) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(iii) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (4)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and

(iv) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED,

ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [*IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY)] [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S], ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON- U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. [*IN THE CASE OF REGULATION S NOTES*: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.]

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You acknowledge until 40 days following the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(9) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(10) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(11) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or any of the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*".

(12) By acquiring the Notes, you will be deemed to have further represented and agreed as follows: (1) with respect to the acquisition, holding and disposition of the Notes, or any interest therein, (A) either (i) no portion of the assets used by you to acquire or hold the Notes constitutes assets of any employee benefit plan that is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), individual retirement account or other plan or arrangement that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other plans that are not subject to the foregoing but may be subject to federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**"), or entity whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) of any such plan, account or arrangement (each, a "**Plan**"), (2) the acquisition and holding of the Notes by you does not and will not constitute or result in a non-exempt prohibited transaction under the provisions of Section 406 of ERISA or Section 4975 of the Code, or any violation of Similar Laws, or (B) none of the Issuer, the Guarantors or any of the Initial Purchasers or any other party to the transactions contemplated by this Offering Memorandum or any of their respective affiliates is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to your decision to purchase or hold the Notes.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for us by Latham & Watkins LLP with respect to matters of U.S. federal, New York state, English and Italian law, by KPMG Studio Associato with respect to matters of Italian tax law and by Bech-Bruun Law Firm P/S with respect to matters of Danish law. Certain legal matters will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP with respect to matters of U.S. federal, New York state and English law, by Gattai Minoli Agostinelli & Partners with respect to matters of Italian law and Gorrissen Federspiel Private Limited Partnership with respect to matters of Danish law.

INDEPENDENT AUDITORS

The financial statements of International Design Group S.p.A. (formerly International Design Group S.r.l.) as at October 20, 2018 and for the period from September 10, 2018, to October 10, 2018, included elsewhere in this Offering Memorandum, have been audited by KPMG S.p.A., independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of Flos and its subsidiaries for the years ended December 31, 2015, 2016 and 2017, included elsewhere in this Offering Memorandum, have been audited by EY S.p.A., independent auditors, as stated in the convenience translation into English of their reports appearing herein.

The consolidated financial statements of Louis Poulsen and its subsidiaries for the year ended December 31, 2015, included elsewhere in this Offering Memorandum, have been audited by Ernst & Young Godkendt Revisionspartnerselskab, independent auditors, as stated in their report appearing herein.

The consolidated financial statements of Louis Poulsen and its subsidiaries for the years ended December 31, 2016 and 2017, included elsewhere in this Offering Memorandum, have been audited by Deloitte Statsautoriseret Revisionspartnerselskab, independent auditors, as stated in their report appearing herein.

Deloitte Statsautoriseret Revisionspartnerselskab retired from the position of independent auditor for Louis Poulsen as of August 1, 2018 and KPMG Statsautoriseret Revisionspartnerselskab has been appointed to replace them.

The consolidated financial statements of B&B Italia S.p.A. (prior to its merger with Durini 14 S.p.A.) and its subsidiaries for the year ended December 31, 2015 as well as the consolidated financial statements of B&B and its subsidiaries for the years ended December 31, 2016 and 2017, both included elsewhere in this Offering Memorandum, have been audited by KPMG S.p.A., independent auditors, as stated in their reports appearing herein.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser 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:

(13) 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;

(14) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(15) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Notes Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request with respect to the Notes should be directed to the Issuer at Via Montenapoleone 29, 20121 Milan, Italy.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to each of the Indenture, we will agree to furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*". Copies of the Indenture (which includes the form of the Notes) and the Intercreditor Agreement may also be obtained by request to the Issuer.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the LuxSE, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the listing agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the Notes is incorporated under the laws of Italy. The Guarantors of the Notes are incorporated under the laws of Italy, Denmark and Spain. The Targets are incorporated and organized under the laws of Italy and Denmark. The Indenture (including the Notes Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuer and of the Guarantors are non-residents of the United States. Because substantially all of the assets of the Issuer and of the Guarantors, and its and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Guarantor will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy and Denmark) upon those persons, the Issuer or any guarantor of the Notes provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or any guarantor of the Notes, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Guarantor or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

The Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the Notes (i.e. its corporate resolutions) and the Guarantors' approval of documentation that they are a party to, are governed by Italian, Danish and Spanish law.

Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;

- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

Denmark

We have been advised by our Danish counsel that the United States and Denmark currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (as opposed to arbitration awards). Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws enforceable in the United States, would not be recognized or enforceable in Denmark. A final judgment properly obtained in a U.S. court will therefore neither be recognized nor enforced by the Danish courts without re-examination of the substantive matters thereby adjudicated. In connection with any such re-examination, the judgment will generally be accepted as material evidence, but the parties must provide the Danish courts with satisfactory information about the contents of the relevant foreign law and, if they fail to do so, the Danish courts may apply Danish law instead. Further, certain remedies available under U.S. law may not be allowed in Danish courts as contrary to Danish public policy, including, among other remedies, punitive damages.

Spain

Certain Guarantors are organized under the laws of Spain and a significant portion of their assets are located in Spain. As a result, any judgment based on civil liability obtained against the companies incorporated in Spain rendered outside of Spain in a country which: (a) is not bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters; and (b) is not party to an international treaty providing the recognition and enforcement of judgments between the countries where the judgements seeking for enforcement in Spain were rendered, would be recognized or enforceable in Spain in accordance with and subject to Article 523 of the Spanish Civil Procedure Act as amended (*Ley 1/2000, de 7 de enero de Enjuciamiento Civil*) and subject to Law 29/2015, of July 30, 2015, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil*) (the "**Law on International Legal Cooperation in Civil Matters**").

Accordingly, provided that the United States and Spain are not party to any international treaty providing the recognition and enforcement of judgments, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, will be enforceable in Spain in accordance with and subject to Article 523 of the Spanish Civil Procedure Act and subject to the Law on International Legal Cooperation in Civil Matters.

A party in whose favor such judgment was rendered should initiate the recognition proceedings (*exequatur*) in Spain before the relevant Court of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be. According to the Law on International Legal Cooperation in Civil Matters, recognition and enforcement in Spain of such U.S. judgment could be obtained provided that the following conditions are met:

- the U.S. foreign judgment is final and conclusive (*firme*);
- the U.S. foreign judgment does not contravene Spanish public policy (*orden público*) or mandatory provisions;
- such U.S. judgment was rendered by a court having jurisdiction over the matter since the dispute is clearly connected to the United States and the choice of the court is not fraudulent;
- there is no material contradiction or incompatibility of the U.S. judgment with a judgment rendered in Spain; and there is no pending proceeding between the same parties and in relation to the same issues in Spain initiated prior to the U.S. proceeding;
- there is no material contradiction or incompatibility with an earlier judgment rendered in any other state provided that such judgment complies with the applicable conditions to be enforceable in Spain;
- where rendering the U.S. foreign judgment, the courts rendering it must not have infringed an exclusive ground of jurisdiction provided for in Spanish law or have based their jurisdiction on exorbitant grounds;
- the rights of defense of the defendant have been protected where rendering the foreign judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts; and
- the U.S. judgment was not rendered by default (*i.e.* without appearance or without the possibility to appear for the defendant).

The Law on International Legal Cooperation in Civil Matters expressly prohibits that a foreign judgment is reviewed as to its substance (*revision del fondo*) by the Spanish competent court.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by Spanish law (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in Spain or from Spanish persons in connection with a judicial or administrative U.S. action.

Any judgment obtained against the companies incorporated in Spain in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or a Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros.

The enforcement of any judgments in Spain involves, *inter alia*, the following principal actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator's fees will be payable); (b) payment of certain professional fees required for the verification of the legal authority of a party litigating in Spain (if needed); (c) the payment of certain court fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney-at-law and the party must be represented by a court agent (*procurador*); and (e) the content and validity of foreign law must be evidenced to the Spanish courts. In addition, Spanish civil proceedings rules cannot be amended by agreement of the parties and such rules will therefore prevail notwithstanding any provision to the contrary in the relevant agreement.

As an alternative to the *exequatur* proceedings, the parties might agree to bring the original action to Spain, so that the dispute is settled by Spanish Courts. Pursuant to Article 54 of the current Spanish procedural law (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*) (the "**Spanish Procedural Law**"), the parties to an agreement are entitled to clearly agree to the submittal to one judge (*juzgado*) or court (*tribunal*) (provided that under the Spanish Procedural Law and the Spanish Judicial Law (*Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicial*) the relevant judge or court is competent to solve the corresponding dispute); however, this article does not expressly cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

If an original action is brought in Spain, the choice of law made by the parties may be rejected by Spanish courts on grounds that it contravenes Spanish public policy.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Notes Guarantees and the security interests being provided for the Notes and a summary of certain insolvency law considerations in each of the jurisdictions in which the Issuer and the Guarantors are incorporated or organized. The description below is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of incorporation or organization of any future guarantor of the Notes, and it does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or the Notes Guarantees or security interests being provided for the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and certain Guarantors are organized under the laws of Member States of the European Union.

Regime Applicable to Insolvency Proceedings opened after June 26, 2017

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the "**Insolvency Regulation**") was published on the Official Gazette of the European Union. The Insolvency Regulation will be applicable to insolvency proceedings opened after June 26, 2017 (subject to certain exceptions).

Main insolvency proceedings

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU member state (other than Denmark) where the company concerned has its "center of main interests". The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different EU member states may have differing and conflicting views.

The term "center of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other EU member state.

If the center of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the Insolvency Regulation.

If the center of main interests of a company is in one EU member state (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the EU member state in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another EU member state where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the EU member state in which the company's center of main interests is situated under that EU member state's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from the operation of the establishment or a public authority has the right to request the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *Lex fori concursus*, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all EU member states (other than Denmark) must recognize the judgment of the court opening main proceedings and give the same effect to the order in the other relevant EU member state so long as no secondary proceedings have been opened there. The insolvency officeholder appointed by a court in a EU member state that has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that EU member state in another EU member state (such as to remove assets of the company from that other EU member state), subject to certain limitations, so long as no insolvency proceedings have been opened in that other EU member state or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU member state where the company has assets.

Italy

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its 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 guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision of the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. Whilst

corporate benefit for downstream guarantee or security (i.e., a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (i.e., security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, cross-stream and down-stream guarantees or security interests granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or the granting of security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian

company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor 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 an Italian guarantor must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the relevant Italian guarantor. It has been held that such determination must be proportionate to the relevant Italian guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Limitations to the Notes Guarantees and Collateral

In order to comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Guarantor incorporated under the laws of Italy (each an "**Italian Guarantor**" and, jointly, the "**Italian Guarantors**") may be required to pay in respect of its obligations as Guarantor under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement and any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Notes Guarantee will be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Notes Guarantee.

In particular, as regards to each of the Italian Guarantors, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement:

(i) the Notes Guarantee and security interests granted by each of the Italian Guarantors will only guarantee and secure the Issuer's obligations under the relevant Tranche of the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including (i) with respect to Flos, the Flos Proceeds Loan, and (ii) with respect to B&B, the B&B Proceeds Loan) advanced from time to time to the relevant Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Notes Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor in respect of any amounts in excess of the amount that such Italian Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Guarantor under the relevant Notes Guarantee;

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

Tranche B (as defined in the "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

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

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

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

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

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

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

The abovementioned "virtual tranching" structure aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" in respect of, respectively, Flos and B&B and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it cannot be excluded that it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to support the acquisition or subscription by the Issuer of the share capital of, respectively, Flos and B&B. Should the Notes Guarantees granted by Flos and/or B&B be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Notes Guarantees could be declared null and void.

The maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement

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

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Notes Guarantees and security.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes)

which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain additional Considerations in Relation to Notes Guarantees and Collateral

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

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

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries (including Flos and B&B) under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan (including the Flos Proceeds Loan and/or the B&B Proceeds Loan) are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries (including Flos and B&B), which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees and/or Security interests granted by such Italian subsidiaries (including Flos and B&B) may be impaired or restricted.

Certain Limitations on Enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*—Certain Italian Insolvency Laws—Bankruptcy proceedings (fallimento)*" below. If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by 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 aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed below relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets of the same kind and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;
- there could be circumstances under which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of

the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Certain Italian insolvency law considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where publicly-owned companies are involved. Insolvency laws and regulations are currently being reviewed and significant amendments are expected in the near future. In particular, on October 11, 2017 the Italian Senate approved Law No. 155 dated October 19, 2017 pursuant to which it has authorized the government to carry out a substantial reform of Italian insolvency laws, on the basis of the guidelines provided therein. The main innovations, which must be implemented by the government within twelve months include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and its replacement with a reference to a judicial liquidation; (ii) new definition of state of crisis; (iii) the adoption of the same procedural framework to access the different insolvency procedures provided by law; (iv) express acknowledgement and adoption of the definition of debtor's center of main interest as provided for in the Recast Insolvency Regulation; (v) a new set of rules concerning group restructurings; (vi) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going-concern restructurings; (vii) a new preventive alert and mediation phase to avoid insolvency; (viii) jurisdiction of specialized courts over proceedings involving large debtors. However, such reform has not been implemented yet.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation as defined below are: (i) the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force in June 2015 and has been converted into law by Italian Law No. 132 of August 6, 2015, effective August 21, 2015 and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw- back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate 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 and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, 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. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-*bis* of the Italian Bankruptcy Law, while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. 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 Italian Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the

relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate in such negotiations in good faith, and (ii)an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

In no case the debt restructuring agreement provided for under article 182-septies of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors, *inter alia*, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, 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 percent of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court- supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement or the approval of the Pre-Bankruptcy Composition with Creditors. The same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy 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 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182- *bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e., financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective

receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). 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. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who 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.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;
- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and 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, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. 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 may be avoided at the request of the bankruptcy receiver / court commissioner**.

  a. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

     i. onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

     ii. payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

     iii. pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and

     iv. pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

  b. The following acts and transactions, if made during the vulnerability period or such other period specified below, may be 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.

  c. The following transactions are exempt from claw-back actions:

     i. payments for goods or services made in the ordinary course of business according to market practice;

     ii. a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

     iii. the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

     iv. transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;

     v. a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law;

vi. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

vii. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza).

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*". To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by

the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*". It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade

receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "*suspect period*"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's Notes Guarantee or the granting of security interests under the Security Documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of

receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Denmark

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

The Danish Companies Act (*selskabsloven*) contains restrictions on upstream guarantees and security by Danish limited companies. Generally, Danish companies and their Danish and foreign subsidiaries are prohibited from granting loans to or issuing guarantees or providing security in respect of obligations of, among others, their direct and indirect parent companies. However, Danish companies may grant loans to or issue guarantees or provide security in respect of obligations of parent companies covered by Danish Executive Order No. 275 of March 25, 2010 (on loans etc. to foreign parent companies) which includes any entity in the corporate form of (i) a public limited company (*aktieselskab*), (ii) a limited partnership company *(partnerselskab*), (iii) a private limited liability company (*anpartsselskab*) or (iv) a company with an equivalent corporate form, incorporated in a jurisdiction which is a member of the EU or European Economic Area or Switzerland, Australia, Canada, Hong Kong, Japan, South Korea, Singapore, Taiwan or the U.S.

In addition, a Danish company is generally prohibited from granting loans, issuing guarantees or providing security in connection with the financing or refinancing of the acquisition by any person or entity of shares in such Danish company or shares in its direct and indirect parent companies, and any such loan, guarantee or security will be invalid and unenforceable.

To the extent that any such debt constituting unlawful financial assistance cannot be separated from other debt, such other debt may be deemed unlawful financial assistance debt and any loans, guarantees or security granted by Danish companies for such other debt may then also be invalid or unenforceable. According to the Danish Business Authority, the prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies. If loans, guarantees or security are granted in violation of the prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with statutory interests. The directors may be subject to liability for losses suffered in this regard.

Further, it is a requirement under Danish law that a guarantor or security provider obtains an adequate corporate benefit from the issuance of a guarantee or granting of security. The management of the company is obliged to act in accordance with the company's individual interests, including, among other things, consideration of the company's financial position, the benefits the company will obtain through and the risks related to the granting of guarantees and security, assessment of the debtor and ensuring that the arrangement is on market terms. If such benefit is not obtained, the directors of a Danish guarantor or security provider may be subject to civil liability and the guarantee or security may be deemed invalid. It is not clear under Danish case law under which circumstances corporate benefit accrues to a subsidiary when such subsidiary guarantees and secures debt of a direct or indirect parent company or other group company. Accordingly, any guarantee or security provided by the Danish companies in connection with the Notes will be limited (i) if and to the extent required to comply with Danish statutory provisions on unlawful financial assistance and non-permitted shareholder loans, including, without limitation, Sections 206 through 212 of the Danish Companies Act and (ii) to a maximum amount equivalent to the higher of the equity (*egenkapital*) of such Danish company (calculated in accordance with the approved accounting principles) (a) at the time of the granting of the guarantee or (b) at the time payment is requested pursuant to the guarantee. Hence, the Notes will not have the benefit of guarantees from and security granted by a Danish Guarantor or security provider to the extent the proceeds of the Notes are deemed used towards financing of the (direct or indirect) acquisition of such Danish Guarantor or security provider.

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim.

The Notes and the Security Agent will be registered with the Danish Financial Supervisory Authority (*Finanstilsynet*) pursuant to Chapter 4 of the Danish Capital Markets Act, which will allow the Security Agent to represent the holders of the Notes from time to time in connection with any enforcement steps and legal proceedings in Denmark.

Certain Danish insolvency law considerations

One of the Guarantors is a company incorporated under the laws of Denmark. Any insolvency proceedings with respect to a Danish Guarantor would be based on Danish insolvency laws. Please note that the Insolvency Regulation does not apply to Denmark.

Danish insolvency laws may not be as favorable to investors' interests as the laws of the United States or other jurisdictions with which the investors are familiar. In the event that a Danish Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganization and sale of going concern.

Insolvency Proceedings

Bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor, however provided that the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates his business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

A creditor cannot demand that the debtor be declared bankrupt if the creditor's claim is secured by adequate security. In this context, adequate security means a security right expected to provide full coverage for the creditor. If the security is avoidable in bankruptcy or the act of perfection has not been performed, the creditor does not have adequate security.

The creditor is not required to have a basis of execution for his claim, e.g. a judgment in a civil case, a settlement in court or a signed debt instrument or mortgage. Further, the creditor's claim does not have to be due for payment to form basis of a petition for bankruptcy. However, the creditor must have a legal interest in the debtor's estate being administered in bankruptcy. As a result, not all claims that have not become due for payment may form basis of a petition for bankruptcy. Depending on the circumstances, an overdraft facility still being in force or a repayment arrangement being observed by the debtor may result in the creditor's petition being rejected. The requirement for legal interest also means that in general the bankruptcy court will reject a creditor's petition for bankruptcy if it is clear in advance that he will not receive any dividend in case of bankruptcy. It should be noted, however, that if there is probable cause to believe that the debtor has made avoidable transactions, the creditor may have the required legal interest in the bankruptcy even if the debtor does not have substantial assets. In that case, the creditor must be able to substantiate the avoidable transactions with some degree of certainty.

A creditor having filed a petition for bankruptcy against a debtor will be liable to pay damages if the debtor suffers a loss or to pay compensation for injury to the debtor's reputation if the bankruptcy conditions, e.g. the insolvency requirement, are not fulfilled or if the claim does not exist.

The petitioner must provide security for the expenses relating to the administration of the estate. In practice, the bankruptcy court demands security in the amount of DKK 30,000. If the debtor has filed the petition for bankruptcy, the security must be provided by the funds of the bankruptcy estate.

Bankruptcy Trustee

One or more trustees are appointed at the discretion of the bankruptcy court; however, in practice the request of the major unsecured and unsubordinated creditors have the decisive influence as another liquidator can be appointed at a creditor's meeting.

The trustee is not required to be an attorney, but in practice that is normally the case.

The trustee must comply with the disqualification rules of the Danish Bankruptcy Act. Consequently, the trustee must not be the debtor's related party or depending on the debtor, and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. The bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee.

The trustee will make all decisions concerning the administration of the bankruptcy estate and he represents the estate in every respect.

Reconstruction

Reconstruction proceedings may be commenced either at the petition of the debtor or a creditor. The petition for reconstruction must be filed with the bankruptcy court in the district in which the debtor operates his business.

Reconstruction proceedings may only be commenced if the debtor is insolvent (same as described above with respect to bankruptcy). If this criterion is fulfilled, the bankruptcy court will immediately appoint a reconstructor and a restructuring accountant to administrate the company. The management continues to operate the company, but any material transactions may not be carried out without the prior approval of the reconstructor. Payment of creditors may only be done in accordance with the priority of claims as described below.

The reconstruction of a company must achieve the following statutory objectives: (1) the rescue of the company as a going concern by means of a compulsory composition; (2) the termination of the business of the company by transferring the business; or (3) a combination of a compulsory composition and a transfer of business.

The reconstructor must try to achieve these objectives in no particular order. If the reconstructor does not realize these objectives, the company will automatically enter bankruptcy proceedings as described above, unless it turns out that the company is not (or no longer is) insolvent.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors and, providing all creditors have been paid in full, the shareholders. In Denmark, liquidation is not an insolvency proceeding, and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter bankruptcy proceedings instead. The decision to liquidate a company is made by the shareholders of the company at a general meeting who also appoint a liquidator. At the end of the liquidation process the company will be dissolved.

Foreign Currency

Under the Danish Bankruptcy Act, claims must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order over the company.

Challenges to the Guarantees and the Collateral

Certain Avoidance Rules

Under the Danish Bankruptcy Act, the bankruptcy estate is entitled to under certain circumstances to avoid the debtor's transactions in the period preceding the bankruptcy if such transactions have reduced the assets of the estate or otherwise damaged the estate, or if the transactions have favored certain creditors without observing the ranking of the creditors.

Transactions damaging the estate are for example gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties. Transactions favoring creditors without observing the ranking of creditors are for example payment by unusual means of payment, payments before due date, payments having deteriorated the debtor's ability to pay decisively or the provision of security for prior debts. Set out herein is the avoidance rule on security for prior debts and the general avoidance rule applicable to various transactions.

Any security interest which has not been created prior to, or simultaneously with, the debt obligations which it secures or which is not perfected without undue delay after the creation of such debt obligations will be subject to a three months hardening period, if insolvency proceedings are commenced against the provider of the security during the three month period starting from the latter of the date of the relevant act of perfection and the creation of the security interest.

Danish law operates with a general avoidance rule, which stipulates that a disposition which unduly favors a creditor to the detriment of the other creditors, or whereby the company's property is prevented from serving the purpose of satisfying the creditors, or whereby the company's debt is increased to the detriment of the creditors, may be declared void if the company was or because of the disposition became insolvent, and the favored party knew or ought to have known about the company's insolvency and the circumstances that made the disposition improper. Generally, only transactions which are contrary to common norms of correct and decent business behavior will be deemed improper. Improper behavior is normally related to a breach of the purpose of insolvency proceedings, which typically is the situation where a creditor should have realized that a given transaction would deprive the other creditors of their right to fulfilment of their claims.

The usual hardening period is three months prior to the filing date, which is extended to up to 24 months for transactions with parties closely related to the company, and the general avoidance rule (as described above) provides for an unlimited avoidance period with respect to improper transactions.

Legal Position of Unsecured Claims and Priority of Claims

Creditors who believe they have a claim against the debtor or the bankruptcy estate must prove their claims and accompany their proofs of claim by adequate documentation. The trustee registers all claims and examines whether they are legitimate and entitle the creditor to receive dividend.

The ranking of creditors is described in the Danish Bankruptcy Act and it indicates the order in which claims against the estate of the debtor are settled. All higher ranking claims must be satisfied in full before the next level will be entitled to dividend. The ranking of creditors is as follows:

- *Firstly*: claims in connection with the bankruptcy proceedings or claims in according to affirmed agreements;
- *Secondly*: claims in connection with any prior restructuring proceedings;
- *Thirdly*: claims for wages or salaries payable;
- *Fourthly*: claims of suppliers for indirect taxes;

- *Fifthly*: unsecured claims (all other claims except for deferred claims); and
- *Sixthly*: deferred claims (interest, fines, promises of gifts and subordinated loan capital).

Spain

Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral

In general terms, under Spanish law, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security interest. Consequently, if the primary obligation terminated, the ancillary guarantee or security interest will also be deemed null and void. In the event that the guarantor or security provider is able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the guarantor or security provider's obligations under the relevant guarantee or security agreement are not enforceable. In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the secured obligations.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be considered material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

Moreover, Spanish law may limit the ability of a Spanish Guarantor to guarantee the Notes or to grant security interests over its assets to secure the Notes. Recent Spanish rulings which do not constitute settled case law indicate, and certain scholars understand, that risk associated with a guarantee or the value of a security interest provided by a Spanish company to guarantee or secure indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the Spanish company's perspective and justified under the corporate interest of such company. Notwithstanding the foregoing, there are rulings from the Spanish Supreme Court recognizing the validity of upstream guarantees subject to certain requirements.

Furthermore, the obligations of the Spanish Guarantor under its Notes Guarantee or under any security instrument granted by it cannot extend to any obligation which, if incurred, would constitute a breach of the Spanish financial assistance rules. Pursuant to these rules, the obligations of the Spanish Guarantor under the Notes Guarantee or any security granted or executed by such Spanish Guarantor:

(i) shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its direct or indirect parent company; and

(ii) shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 and Article 143 of the Spanish Companies Law and, in that case, all provisions of such Notes Guarantee or security shall be construed accordingly in the sense that in no case can any Notes Guarantee or security given by the Spanish Guarantor provides any such unlawful financial assistance.

Spanish law prohibits financial assistance: (i) for public limited liability companies (*sociedades anónimas* (*S.A.*)) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) for private limited liability companies (*sociedades de*

responsabilidad limitada (*S.L.*)), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, Spanish law governed guarantees or security interests granted or assumed by subsidiaries incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of such Spanish subsidiary or the shares of its direct or indirect parent company or, as applicable, any member of their group, to the extent that such security interest would constitute unlawful financial assistance within the meaning of Article 150 and 143 of Spanish Decree 1/2010 dated July 2 on Spanish Companies Act, as amended (*Real Decreto Legislativo 1/2010 de 2 de julio por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). This limitation may also apply to the refinancing of acquisition debt, although this is widely debated between academics. Accordingly, any guarantee or security interest granted by any Spanish subsidiary shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available. Accordingly, the guarantee granted by any Spanish company will be limited by the amount of the funds that are not used for unlawful financial assistance purposes.

Under Spanish law there are some provisions on capitalization which have to be taken into account when guarantees are enforced. For example, when the enforcement of the guarantee causes the amount of the relevant Spanish subsidiary net equity (*patrimonio neto*) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided* that it is not required to declare its insolvency.

In addition, and whilst this remains a matter debated between Spanish scholars, it is possible that certain defenses available to the Spanish Guarantor relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capital preservation or thin capitalization may limit the amount guaranteed under the Notes Guarantee by reference to the net assets and share capital of the Spanish Guarantor and the amount secured under the relevant security agreement by reference to the value of the collateral.

Under the Spanish Companies Act as amended (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley, de Sociedades de Capital*), Spanish companies (both public limited liability companies (*sociedades anónimas* (*S.A.*)) and private limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to limited liability companies (*sociedades de responsabilidad limitada* (*S.L.*)). In particular, pursuant to Section 401 of the Spanish Companies Act, the Guarantee provided by Spanish Guarantors incorporated under the form of limited liability companies ("*sociedades de responsabilidad limitada*" or "*S.L.s*"), is subject to the following restrictions: (a) S.L.s can only issue notes up to an aggregate maximum amount of twice its own equity (*recursos propios*), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution (b) also, there is no consistent opinion among scholars and practitioners yet nor case law exists, S.L.s may also only guarantee notes up to an aggregate maximum amount of twice its own equity (recursos propios), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution, and (c) S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*).

Under Spanish law, claims may become time barred (5 years being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these

obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

(i) the nature of the remedies available; and

(ii) the availability of defenses such as (without limitation) setoff (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

Spanish law does not recognize the concepts of "trust" or "security agent" and there is some uncertainty as to whether a Spanish court would recognize the authority of a security agent (including the Security Agent) and whether this would cause delays in the enforcement and the consequences of not being able to enforce the collateral as provided in the relevant security agreements. Although this by itself does not prohibit appointing the Security Agent and/or the applicable Trustee, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent and/or the applicable Trustee's actions in an enforcement situation. Some legal scholars argue that a security agent (such as the Security Agent) or a trustee (such as the applicable Trustee) would only be entitled to enforce its portion of the secured obligation but not that of the other secured parties. Therefore, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent and/or the applicable Trustee, and enforcement thereof by the Security Agent and/or the applicable Trustee, may be subject to a due and express power of attorney granted by each of the secured parties in favor of the Security Agent and/or the Trustee for such purpose, duly notarized and legalized (and, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961).

Likewise, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, in its capacity as joint and several creditor (*acreedor solidario*) of the secured parties, has not been tested before the Spanish courts. Moreover, the structure of joint and several creditor is not expressly contemplated under Spanish law in a situation in which the joint and several creditor does not hold a portion of the secured obligation itself. As a result, the ability of the Security Agent to represent the applicable Trustee and the holders of the Notes may be challenged.

According to Spanish law, the law governing in *rem* legal aspects of a pledge is the law applicable in the place of location of the pledged asset (*lex rei sitae*). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the *lex rei sitae* is unclear given its lack of physical existence. In these cases, several theories have been construed amongst Spanish scholars so as to determine the *lex rei sitae* (such as domicile of debtor of the credit rights being pledged, domicile of pledgor, law governing the credit right being pledged, etc.). If a judge considered that any of the pledges created over credit rights under the Spanish security documents is governed by the Catalonian Civil Code, then this regulation would govern those pledges instead of the Spanish civil common law, which could determine the challenge of the validity of such pledges.

Parallel Debt

Parallel debt structures have not yet been tested under Spanish law and we cannot assure you that by creating any such structure it will eliminate or mitigate the risk of unenforceability posed by such applicable law. If any challenge to the validity, perfection or enforceability of the security interests created by the securities were successful, the holders of the Notes may be unable to enforce the security.

Also, under Spanish law, in the event that the relevant obligor enters into insolvency proceedings, the securities or the parallel debt obligation could be subject to potential challenges by an insolvency administrator, the obligor itself or by other creditors of such obligor under the rules of avoidance or clawback of Spanish insolvency laws and the relevant law on the non-insolvency avoidance or clawback of transactions by the debtor

Certain Spanish Insolvency Law Considerations

The Spanish Insolvency Act 22/2003, of July 9, 2003, as amended (the "**Spanish Insolvency Act**") regulates insolvency proceedings, as opposed to out-of-court liquidation (which, pursuant to Spanish corporate law, is only available when the debtor has sufficient assets to meet its liabilities). The Spanish full-blown insolvency proceeding (bankruptcy), which is referred to as "*concurso de acreedores*", applies to all persons or entities (save for limited exceptions specifically contemplated in the Spanish Insolvency Act). These proceedings may lead either to reorganization through the implementation of an agreement between the creditors and the debtor (the "**Company Voluntary Agreement**" or the "**Composition Agreement**") or to the liquidation of the debtor's assets.

Insolvency Filing

A debtor (or, in the case of a company, its directors) is required to file the bankruptcy petition upon inability to regularly pay its liabilities as they become due. The debtor is also entitled (but not required) to apply for such insolvency proceedings when it foresees its inability to regularly pay liabilities as they become due. Creditors also have standing to petition bankruptcy when the debtor is unable to regularly pay its debts as they come due.

Bankruptcy is considered voluntary (*concurso voluntario*) if filed by the debtor. If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor must file a petition for bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (inability to regularly pay the debts as they come due). It is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. Where the debtor fails to file a petition for bankruptcy within the time period established by law (two months), (i) the directors may be removed from office and substituted by a bankruptcy authority once the bankruptcy is declared and the bankruptcy process is initiated; (ii) the debtor may be unable to exercise certain courses of action (including, *inter alia*, the possibility of submitting a pre-arranged settlement proposal); and (iii) the directors may be held liable for the impaired claims accrued as from the consent of insolvency, should the debtor be liquidated and bankruptcy be classified as "guilty."

Bankruptcy is considered mandatory or involuntary (*concurso necesario*) if filed by a third party. Under article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if it can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a debtor's insolvency if it can prove to the court: (i) a generalized default on payments by the debtor; (ii) a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) a misplacement, "fire sale," hasty, loss-making or ruinous liquidation of the debtor's assets; or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (*i.e.* three months).

Pre-Insolvency Filing

Spanish law currently contains a restructuring moratorium proceeding known as article 5.*bis* pre-bankruptcy proceeding, which is an insolvency proceeding under both Spanish and European regulation. It protects the debtor, for a four-month period, from petitions for involuntary cases.

The general duty to file for bankruptcy within the previously discussed two-month period does not apply if the debtor notifies the applicable Court that it has initiated negotiations with its creditors to obtain support to reach a pre-arranged composition agreement (*propuesta de convenio anticipado*) or an out-of-court workout (a refinancing agreement) set out in Section 71.*bis*.1 or in the Fourth Additional Disposition of the Spanish Insolvency Act (the so-called "5 *bis* communication"). Effectively, by means of the 5 *bis* communication, in addition to those two months, the debtor gains an additional three-month period as from the date when the debtor gives such notice to achieve an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for bankruptcy, if the

above-mentioned period of three months has elapsed without an agreement being reached and the situation of insolvency persists. During such period of time, creditors' petitions for involuntary cases will not be accepted.

Additionally, during the four-month protection period provided for by *5 bis* communication (or three months according to certain case law), enforcement will be prevented: (i) by creditors, other than public creditors, over assets which are necessary for the continuity of the debtor's business; and (ii) by financial creditors referred to in the 4th Additional Provision of the Spanish Insolvency Act over any asset, provided financial creditors holding at least 51% of the financial indebtedness (by value) of the insolvent debtor have expressed their will to commence negotiations in order to reach a refinancing agreement and have committed not to initiate or continue enforcement proceedings against the debtor.

Further, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended.

Effects of Bankruptcy Declaration

Effects for the Debtor

As a general rule, the debtor in a voluntary case retains its management power, but is subject to the intervention (*intervención*) of the insolvency trustee (*administrador concursal*), who is appointed by the court. In the case of mandatory insolvency, as a general rule, the debtor's management will be replaced (*sustitución*) by the insolvency trustee. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency trustee's request, the court has the power to swap the intervention regime for a suspension regime or vice versa. Actions carried out by the debtor that breach any required supervision of the bankruptcy authorities may be declared null and void.

Effects on Contracts

Bankruptcy declaration does not affect contracts with reciprocal obligations pending performance by both parties by bankruptcy declaration (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate (reject) any such contracts at the request of the insolvency trustee (provided that management's powers have been solely conferred upon the insolvency trustee), the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency trustee) when such termination is in the interest of the estate (*resolución del contrato en interés del concurso*), or terminate for breach at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return consideration received or indemnify its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency trustee's request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall have a estate claim.

Creditors will be able to accelerate, but not to terminate executory contracts based only on bankruptcy declaration (*declaración de concurso*) of the debtor. All clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, bankruptcy declaration suspends interest accrual, except for claims secured with an in *rem* right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

In any event, setoff is prohibited unless the requirements for the setoff were satisfied prior to the declaration of insolvency or the claim of the insolvent debtor is governed by a law that permits set-off.

As a general rule, bankruptcy declaration stays, up to a year, enforcement proceedings tied to collateral necessary to pursue the ordinary course (excluding financial collateral, as defined in Royal Decree Law 5/2005, which can be enforced as any time, and where the collateral is located outside of Spain).

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* securities) is prohibited until the earlier of: (i) an arrangement of a composition agreement being reached, provided that the composition agreement does not affect such right; or (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase.

Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

Ranking of Credits

The judge's insolvency order contains an express request for creditors to declare debts owed to them within a one-month period following the last official publication in the Official State Gazette (*Boletín Oficial del Estado*) of the court order declaring the insolvency (proof of claims), by providing original documentation that justifies their claims. Based on such documentation provided by the creditors and held by the debtor, the insolvency trustee draws up a list of acknowledged claims and classifies them according to the categories established under law, which are as follows: (i) claims against the debtor's estate; (ii) claims benefiting from special privileges; (iii) claims benefiting from general privileges; (iv) ordinary claims; and (v) subordinated claims.

(i) Claims against the insolvency estate (*créditos contra la masa*) from Section 84 of the Spanish Insolvency Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security), are generally payable when due according to their own terms (and, therefore, are paid before other claims). Debt against the insolvency estate includes, among others, (a) certain amounts of the employee payroll, (b) costs and expenses of the insolvency proceedings, (c) certain amounts deriving from executory contracts and obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (d) those amounts that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it, if tied to bilateral contracts (except in cases of bad faith), (e) certain amounts arising from obligations created by law or from tort liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (f) certain debts incurred by the debtor following the declaration of insolvency; (g) in case of liquidation, the credit rights granted to the debtor under a Composition Agreements in accordance with article 100.5 of the Spanish Insolvency Act, (h) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act; and (i) the new funds lent by persons being in a special relationship with the debtor in the context of a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act, provided further that such new funds do not result from a share capital increase, loans or acts with analogous purpose;

(ii) Claims benefiting from special privileges, representing security on certain assets (*essentially in rem security*). Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the value of their security, provided that such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset determined in accordance with the rules provided for in the Spanish Insolvency Act minus senior claims). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year from the declaration of the insolvency and certain additional limitations set forth in the Spanish Insolvency Act. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency trustee has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to Composition Agreement, unless they give their express support by voting in favor of the Composition Agreement or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of secured claims of the same class vote in favor of such composition agreement. In the event of liquidation, they are the first to collect payment against the secured assets on which they are secured;

(iii) Claims benefiting from general privileges include, among others, certain labor debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, are recognized as privileged for up to 50% of the amount of such debts. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring (under a Composition Agreement) except if they give their express support by voting in favor of the Composition Agreement or, in the case they do not give such express support, if creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the composition agreement) of the total value of claims benefiting from general privileges of the same class vote in favor of such composition agreement. If they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment (in the order established by law);

(iv) Ordinary claims (non-subordinated and non-privileged claims) will be paid on a pro-rated basis from the proceeds of the assets not subject to secured claims, former pre-deduction of estate claims and generally privileged claims; and

(v) Subordinated claims are thus classified contractually or pursuant to law. Debts subordinated by virtue of law include, among others, those credits held by parties in special relationships with the debtor. In the case of individuals, this includes their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any specially related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed)—when the shareholder is an individual, those who would be specially related to the individual are also specially related to the debtor; or (iii) directors (either *de jure* or *de facto*), liquidators and those holding general powers of attorney from the insolvent company (including those

people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open. Subordinated creditors are second-level creditors: they do not vote on the Composition Agreement and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

Hardening Periods

There is no automatic claw-back by virtue of law. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency trustee or receiver may only challenge those transactions that could be deemed as being "detrimental" (perjudiciales) to the insolvent debtor's estate, provided that they have taken place within two years prior to bankruptcy declaration, even in the absence of fraudulent intent (in accordance with Article 71.7 of the Spanish Insolvency Act, transactions taking place four years before the insolvency declaration are subject to the ordinary regime of rescission set forth in the Spanish Civil Code).

"Detriment" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. Pursuant to the law, (a) detriment exists (as a non-rebuttable presumption, without admission of proof to the contrary) in the case of (i) disposals without consideration, except for ordinary largesse (*liberalidades de uso*) and (ii) early payment of unsecured obligations maturing after the insolvency declaration (except secured claims); and (b) detriment is deemed to exist (as a rebuttable presumption) in the case of (i) transactions entered into with parties that have a special relationship with the debtor, (ii) the creation of in rem rights in order to secure pre-existing obligations or those incurred to replace existing obligations and (iii) the cancellation of obligations secured by an in rem security falling due after the declaration of insolvency. In the remaining cases, detriment would have to be evidenced by the party seeking rescission.

Guarantees or security interests granted by a Spanish company in favor of a third party, to secure other group companies' debt may be subject to clawback, on the basis that such guarantees or security interests may be considered as detrimental to the guarantor's estate, if the guarantor is not able to show that there was a tangible and identifiable corporate benefit for the guarantor to grant such guarantee or security (beyond an abstract group interest or general mentions to pertinence to the same group of companies or the so-called "group interest"). Whether or not the granting of any upstream guarantee or security by the guarantor is detriment to the guarantor's estate is a factual matter that will need to be proven on a case by case basis (the beneficiary of the guarantee bearing the burden of such proof). Notwithstanding the foregoing, Spanish case law recognizes the validity of upstream guarantees.

If a rescission action is successful, restoration of the assets that are the subject of the transaction, together with the proceeds and interest, will be ordered by the judge. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay an amount in cash equal to the value of the assets at the time of their disposal, plus interest. If the judge rules that the transaction has been conducted in bad faith, the liable party will be obligated to indemnify the debtor for loss and damages suffered as its claim will be classified as subordinated. If the

judge does not conclude that the transaction was conducted in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate as per bilateral contracts.

The exercise of rescission actions does not prevent other actions against the debtor in accordance with law, which may be brought before the bankruptcy judge.

Under no circumstances can be rescinded: (i) ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out under market conditions, (ii) actions contemplated in the specific legislation regarding systems of payment, set-off or liquidation of values and derivative instruments, and (iii) guarantees constituted in favor of Public Law credits or credits in favor of the labor authorities.

Neither "Refinancing Agreements," nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such "Refinancing Agreements," will be subject to an action for rescission, provided that they comply with the requirements set out below in section 'Protection of Certain Refinancing Agreements'.

Fraudulent Conveyance Laws

Under Spanish law, in addition to the bankruptcy clawback action, the insolvency trustee and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *juris et de jure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *juris tantum* presumption (a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Protection of Certain Refinancing Agreements

Certain refinancing agreements denominated "Collective Refinancing Agreements" may be protected from claw-back risk provided that they comply with certain requirements further

explained in the section referred to as "—*Cramdown Effects of Certain Refinancing Agreements*."

In the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (*homologación*), they may still have certain (but not total) protection against clawback, if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requisites, the refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below.

Cramdown Effects of Certain Refinancing Agreements

In order to seek protection against clawback, refinancing agreements can be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct a potential bankruptcy proceeding, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the debt structure by either granting a longer term or replacing previous claims with new ones with longer maturity dates; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, pursuant to certain precedents, the majority arguably refers both individually to each company and to the group as a whole -where the intercompany claims are not taken into account-), and when the company has no auditor, by the one appointed for this purpose; and (iv) the agreement is formalized in a public instrument and the documents that validate its content must be attached. Judicially sanctioned refinancing agreements will not be subject to the bankruptcy claw-back action, but they may be challenged pursuant to general fraudulent conveyance law.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether or not dissidents can be extended effects beyond those provided by the law or object to homologation, and whether they have standing to object to homologation, is controversial.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors including secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Act and (ii) dissenting secured creditors in respect of their secured claims, provided they achieve the thresholds mentioned below:

a. If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of term up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

b. If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

    i. stays of payments for up to ten years;

ii. haircuts;

iii. capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or, as default option, (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

iv. conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

v. assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro solute* or *datio pro solvendo*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "centre of main interests." This "centre of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction, article 87.3 of the current Spanish Insolvency Act may apply, in which case the claims of the beneficiaries of the guarantee provided by a Spanish Guarantor may be classified as "contingent" claims and no amount may be recognized until and when a default occurs and the guarantee is validly enforced. Nor will they have voting rights. Special rules can apply if the guarantee is not a first demand guarantee but an ordinary guarantee (*fianza*) and, therefore, the benefits of preference (*excusión*), order (*orden*) and division (*división*) apply.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made for the Notes to be listed on the Official List of the LuxSE and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange. Application has also been made to list the Notes on the Vienna Stock Exchange and to admit the Notes to trading on the Third Market (MTF) operated by the Vienna Stock Exchange (the "**Third Market (MTF)**"). The Third Market (MTF) is not a regulated market within the meaning of the provisions of MiFID II.

Listing Information

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF Market and the rules and regulations of the LuxSE so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg listing agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the organizational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- the security documents;
- the Indenture (including the Notes Guarantees); and
- the Intercreditor Agreement.

The Issuer has appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg listing agent, transfer agent and registrar and to make payments on, when applicable, and transfers of the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture. Going forward, the Issuer intends to publish consolidated financial statements.

Approval

The Issuer has obtained or will obtain before the closing of the Offering, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes was authorized by a resolution of the Issuer's Board of Directors adopted on November 5, 2018 and a determination (*atto di determina*) of the directors adopted on November 9, 2018.

Clearing Information

The Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 190825868 and 190825914, respectively. The international securities identification number for the Floating Rate Notes sold pursuant to Regulation S is XS1908258681 and the international securities identification number for the Floating Rate Notes sold pursuant to Rule 144A is XS1908259143.

The Fixed Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 190824896 and 190825787, respectively. The international securities identification number for the Fixed Rate Notes sold pursuant to Regulation S is XS1908248963 and the international securities identification number for the Fixed Rate Notes sold pursuant to Rule 144A is XS1908257873.

General Information on the Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated in Italy and is registered with the Companies' register of Milan under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Montenapoleone 29, 20121 Milan, Italy. As of the date of this Offering Memorandum, the Issuer has a share capital of €50,000 which has been fully paid up, comprised of 50,000 ordinary shares. The Issuer's incorporation will terminate on December 31, 2100.

General Information on the Guarantors

Flos

Flos S.p.A. is a private joint stock company (*società per azioni*) incorporated under the laws of Italy on September 28, 1962 and with registered office at Via Angelo Faini 2, 25073 Bovezzo (BS), Italy. Flos S.p.A. is registered with the Companies' register of Brescia under registration number and fiscal code 00290820174. As of the date of this Offering Memorandum, Flos S.p.A. has a share capital of €1,875,000 which has been fully paid up, comprised of 13,730,840 shares, with no par value.

Following the consummation of the Transactions, Flos S.p.A. will be a wholly-owned subsidiary of the Issuer.

Antares Iluminación S.A.U.

Antares Iluminación S.A.U. is a limited liability company in the form of a Spanish *sociedad anónima* incorporated under the laws of Spain on September 15, 1989 and with registered office at Polígono Industrial de Reva, Sector 12, Parcela A5, calle Mallorca 1, Ribaroja de Turia, Valencia (Spain). Antares Illuminación S.A.U. is registered with the Spanish Commercial Registry (*Registro Mercantil*) under Volume 3,172, Sheet V-6, 879, Page 76. As of the date of this Offering Memorandum, Antares Illuminación S.A.U. has a share capital of €400,686.70 which has been fully paid up, comprised of 13,334 nominative shares, with par value of €30.05 each.

Following the consummation of the Transactions, Antares Iluminación S.A.U. will be a wholly-owned subsidiary of the Issuer.

Louis Poulsen A/S

Louis Poulsen A/S is a public limited liability company (*aktieselskab*) incorporated under the laws of Denmark on April 1, 1958 and with registered office at Kuglegårdsvej 19, 1434 Copenhagen, Denmark. Louis Poulsen A/S is registered with the Danish Business Authority (*Erhvervsstyrelsen*) under company registration number (CVR) 59742817. As of the date of this Offering Memorandum, Louis Poulsen A/S has a share capital of DKK 10,000,000 which has been fully paid up, with each share having a nominal value of DKK 100.

Following the consummation of the Transactions, Louis Poulsen A/S will be a wholly-owned indirect subsidiary of the Issuer.

B&B

B&B Italia S.p.A. is a private joint stock company (*società per azioni*) incorporated under the laws of Italy on August 2, 2010, with registered office at Via Durini 14, 20122 Milan, Italy. B&B S.p.A. is registered with the Companies' register of Milan-Monza Brianza-Lodi under registration number and fiscal code 07122350965. As of the date of this Offering Memorandum, B&B Italia S.p.A. has a share capital of €1,000,000 which has been fully paid up, comprised of 10,000,000 shares, with no par value.

Following the consummation of the Transactions, B&B Italia S.p.A. will be a wholly-owned subsidiary of the Issuer.

No Material Adverse Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the consolidated financial and trading position of (i) the Issuer since October 20, 2018 (being the last day of the period in respect of which the Issuer published its latest audited financial statements) and (ii) the Guarantors since December 31, 2017 (being the last day of the period in respect of which the Guarantors, or their applicable parent company, published their latest audited consolidated financial statements).

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INTERNATIONAL DESIGN GROUP S.p.A.
(f/k/a International Design Group S.r.l.)[1]

Financial Statements as at and for the period from 10 September 2018 to 20 October 2018

[1] International Design Group S.p.A. was formed as a limited liability company (*società a responsabilità limitata*) on September 10, 2018 and was converted into a joint stock company (*società per azioni*) by way of a resolution of the extraordinary shareholders' meeting on October 23, 2018.

International Design Group S.r.l.

Statement of financial position
As at 20 October 2018

(Amounts in Euro)	Notes	20-Oct-2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5	51,000
Total Cash and cash equivalents		**51,000**
TOTAL ASSETS		**51,000**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6	3,000
Other reserve	6	48,000
Loss of the period	6	(8,454)
Equity attributable to owners of the Company		**42,546**
TOTAL EQUITY		**42,546**
LIABILITIES		
Trade and other payable	7	8,454
Current liabilities		**8,454**
TOTAL LIABILITIES		**8,454**
TOTAL EQUITY AND LIABILITIES		**51,000**

Notes are an integral part to these consolidated financial statements

International Design Group S.r.l.

Statement of comprehensive income/(loss)
As at 20 October 2018

(Amounts in Euro)	Notes	Period from 10 September 2018 to 20 October 2018
Administrative expences	7	(8,454)
Operating loss		**(8,454)**
Finance cost		—
Net finance cost		**—**
Profit (loss) before tax		**(8,454)**
Income tax expences		—
Loss for the period		**(8,454)**
Other comprehensive income		—
Total comprehensive income (loss)		**(8,454)**

Notes are an integral part to these consolidated financial statements

International Design Group S.r.l.

Statement of changes in equity
As at 20 October 2018

(Amounts in Euro)	Share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Loss of the period	Total equity
Opening balance							
Capital contribution at 10 September 2018	3,000						3,000
Capital contribution				48,000			48,000
Loss for the period						(8,454)	(8,454)
Total comprehensive income							
Total transactions with owners of the Company							
Ending Balance	**3,000**	**—**	**—**	**48,000**	**—**	**(8,454)**	**42,546**

Notes are an integral part to these consolidated financial statements

International Design Group S.r.l.

Statement of cash flow
As at 20 October 2018

(Amounts in Euro)	Notes	Period from 10 September 2018 to 20 October 2018
Cash flows from operating activities		
Loss of the period		(8,454)
Changes in:		
Trade and other payable	7	8,454
Cash generated from operating activities		—
Net cash from operating activities		—
Cash flows from investing activities		—
Net cash used in investing activities		—
Cash flows from financing activities		
Capital issued and capital contribution	6	51,000
Net cash from financing activities		**51,000**
Net increase in cash and cash equivalents		**51,000**
Beginning cash balance		—
Ending cash balance		**51.000**

Notes are an integral part to these consolidated financial statements

Notes to the financial statements for the reporting date 20 October 2018

1- General

Information about the Company

International Design Group S.r.l. (the "Company") is a limited liability company (società a responsabilità limitata – S.r.l.) incorporated in Italy and registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 10462810960. The registered office of the Issuer is at Via Montenapoleone 29, 20121 Milan, Italy.

The Company has been established on 10 September 2018.

These financial statements have been authorized for issue by the sole director on 22 October 2018.

The financial year of the Company runs from the 1st of January until the 31st of December of each year. As an exception to this rule, the first accounting year begins on the date of establishment of the Company and terminates on 31 December 2018.

The present financial statements has been has been prepared in the context of a complex corporate transaction by which:

- International Design Group S.r.l., formed on 10 September 2018, ultimately controlled by Investindustrial, is expected to be transformed into a joint stock company under Italian law (società per azioni—S.p.A.) with an increase of capital share to € 50.000;

- International Design Group S.r.l. plans to issue debt (in the form of senior secured notes—the "Notes") to finance the acquisition (the "Acquisitions") of companies operating in the design sector: B&B Italia S.p.A. ("B&B"), Flos S.p.A. ("Flos") and Luminous Designs Investments Aps, together with their respective subsidiaries (the "Targets").

Once the transactions summarized here below will be consummated, the Company will be jointly controlled by Investindustrial and Carlyle.

As of the date of these financial statements, the Company as no material assets and liabilities and is not involved in any operating activity.

On 7 August 2018, certain affiliates of Investindustrial, including Flos HoldCo, B&B HoldCo and LP LuxCo 2 (collectively, the "Investindustrial Entities") and an affiliate of Carlyle entered into an investment agreement, as amended on 11 September 2018 (the "Investment Agreement") setting forth the various steps to be taken in connection with the Company's planned acquisition of B&B, Flos and Danish HoldCo (i.e. an entity that indirectly wholly owns Louis Poulsen) which will be under common control of Investindutrial and Carlyle (the "Sponsors") once the transactions described below are consummated and become effective.

At closing of the Acquisitions, the two Sponsors will indirectly own equal equity interests in the CompanyAt or before closing of the Acquisitions: (i) an affiliate of Carlyle will make an equity contribution in cash indirectly into the Company; (ii) LP LuxCo 2, an affiliate of Investindustrial, will indirectly contribute the entire share capital of Danish HoldCo through a series of intermediate vehicles into the Company (the "LP Acquisition"); (iii) Flos HoldCo and B&B HoldCo will contribute, through a series of intermediate vehicles, a portion of Flos and B&B's share capital, respectively, into the Company, and (iv) the remaining portion of the shares of Flos and B&B will be acquired by the Issuer from (a) Flos HoldCo and B&B HoldCo pursuant to the Flos acquisition agreement and the B&B acquisition agreement, respectively, and (b) the Flos minorities and the B&B minorities pursuant to the Flos minorities acquisition agreement and the B&B minorities acquisition agreement, respectively, as further described below.

With regard to the above transaction referred to above, on 11 September 2018, the following acquisition agreements were entered into:

- the Company entered into a share purchase agreement with Brompton Design III S.à.r.l. (B&B HoldCo), pursuant to which B&B HoldCo agreed to sell B&B shares to the Company, representing the aggregate 80% of the B&B share capital;

- the Company entered into a share purchase agreement with B&B minority shareholders (B&B Minorities), pursuant to which the B&B Minorities agreed to sell to the Company, their respective B&B shares, representing in the aggregate 20% of the B&B share capital;

- the Company entered into a share purchase agreement with Luxury Design Holdings III S.à.r.l. (Flos HoldCo), pursuant to which Flos HoldCo agreed to sell to the Company Flos shares that will cover 77.39% of the Flos share capital;

- the Company entered into a share purchase agreement with Flos minority shareholders (Flos Minorities), pursuant to which the Flos Minorities agreed to sell to Company their respective Flos shares, representing in the aggregate 22.61% of the Flos share capital.

The acquisition agreements referred to above and the transactions contemplated by the Investment Agreement are regarded as a single transaction and, as such, the consummation of the entire series of transactions is contingent upon the proper completion of each agreement and the satisfaction of certain conditions precedent which must take place on or before 31 January 2019. In particular, as of the date of the issue of these financial statements the consummation of the Investment Agreement, and by extension all transactions related thereto, will depend on, among other customary conditions, the obtainment of unconditional clearances, approvals and consents from certain antitrust authorities. If these conditions will not be met the Investment Agreement will not be effective and the Company will not incur any liabilities under any of the acquisition agreements.

Following the consummation of the Acquisitions, B&B, Flos and LP will be wholly-owned subsidiaries of the Company.

The Company, following the consummation of the Acquisitions will prepare its consolidated financial statements under IFRS as adopted by the EU and will account for the Acquisitions applying IFRS 3 "Business Combination" as an accounting policy election applicable to joint ventures upon formation for the equity contributions and IFRS 2 "Share-based payments" for the cash contributions.

2- Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

Functional and presentation currency

The financial statements are presented in euros. All amounts shown in the financial statements are euros (EUR).

Use of judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed.
There are no key accounting estimate or judgement as at 20 October 2018.

3- Significant accounting policies

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Liabilities

Liabilities are measured at amortized cost, in which the difference between the proceeds and the final repayment amount is charged to profit and loss.

4- Standard issued not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted any new or amended standards in preparing these financial statements.

5- Cash and cash equivalents

The amount of € 51,000 represent the cash at bank as at 20 October 2018.

6- Equity

The amount of € 42,546 is composed of € 3,000 of share capital, € 48,000 of other reserves and € 8,454 related to the loss of the period.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Going concern

The Sole director has prepared the financial statements on a going concern basis. The Company has incurred and recognised costs in relation to its incorporation. The anticipated costs related to the Acquisitions and other operating costs have been borne by the Company's sole shareholder and there is not an obligation of the Company unless the Acquisitions and the issuance of the Notes is consummated.

Further, on 19 October 2018 the shareholder proceeded to pay € 48,000 as a capital injection in reserve for future capital increases in view of the planned future transformation of the Company into a joint stock company (S.p.A.) under Italian law.

7- Trade and other liabilities

The trade payables € 8,454 correspond to the professional fees to pay in relation to the incorporation of the Company and the ordinary administrative consultancy as at 20 October 2018.

8- Financial risk management and financial instruments

General

The Company's activities are exposed to a variety of financial risks as they arise in the normal course of the business, including credit risk, liquidity risk, and market risk.

This note presents information about the Company' exposure to each of the above risks, and it summarises the Company's policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these financial statements.

Credit risk

The Company's credit risk arises from trade receivables, and from cash and cash equivalents held at financial institutions.

The credit risk of cash and cash equivalents is the risk that the counterparties are not able to repay the amounts owed to the Company upon request.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities for the settlement of its financial debt or for ongoing cash requirements from operating and financing activities. To date, the financial assets are represented by cash and cash equivalent and are obtainable on demand.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will adversely affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The current cash and cash equivalent are in EUR being the functional currency of the Company.

Capital management

The director's policy is to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company has no significant activities or operations as at the reporting date. The fair value of financial assets is not materially different from their carrying value in the financial statements.

9- Subsequent events

The following material events occurred after 20 October 2018.

A second capital contribution € 10,000 has been paid by the shareholder on 22 October 2018 in view of the increase of the share capital to € 50,000.

10- Transactions with related parties

During the period, there were no transactions with related parties other than those described above under "Information about the Company".

11- Commitments and contingent assets/liabilities

During the period, the Company did not enter into any commitment.

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Independent Auditors' Report

To the Board of Directors of
International Design Group S.p.A.

Opinion

We have audited the financial statements of International Design Group S.p.A. (formerly International Design Group S.r.l., "the Company"), which comprise the statement of financial position as at 20 October 2018, the statements of comprehensive income, changes in equity and cash flow for the period from the Company's incorporation on 10 September 2018 to 20 October 2018, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 20 October 2018, and of its financial performance and its cash flows for the period from 10 September 2018 to 20 October 2018 in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union ("EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Italy, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
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R.E.A. Milano N. 512867
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VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

— conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Milan, 28 October 2018

KPMG S.p.A.

Paola Maiorana
Director of Audit

FLOS S.p.A.

Registered Offices: Via Angelo Faini 2 – 25073 Bovezzo (BS), Italy
Company Register of Brescia—Tax code and registration No. 00290820174
Registered at Brescia R.E.A. under no. 144607—Reg. AEE no. IT08020000000861
Fully paid-up share Capital Eur 1,875,000.00
VAT no. 00290820174

Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2018 and 2017

Interim Condensed Consolidated Statement of Financial Position—Assets—as at June 30, 2018

(amounts in thousands of Euro)	Notes	6/30/2018	12/31/2017
NON-CURRENT ASSETS			
Intangible fixed assets:			
—Goodwill	6	354,866	354,866
—Other intangible fixed assets	7	148,458	148,379
Property, plant and machinery	8	56,064	55,819
Deferred tax assets		4,438	4,035
Non-current financial assets	9	645	623
Other non-current assets	10	662	639
TOTAL NON-CURRENT ASSETS		**565,132**	**564,362**
CURRENT ASSETS			
Inventories	11	33,445	28,841
Trade receivables	12	33,551	35,188
Tax assets and other current assets:	13		
—Tax credit and due from tax authorithies	13	2,538	3,397
—Other assets	13	1,475	1,866
Current financial assets		17	50
Cash and cash equivalents and deposits	14	28,171	29,687
TOTAL CURRENT ASSETS		**99,197**	**99,030**
Assets held for disposal	15	260	331
TOTAL ASSETS		**664,589**	**663,723**

Interim Condensed Consolidated Statement of Financial Position—Liabilities—as at June 30, 2018

(amounts in thousands of Euro)	Notes	6/30/2018	12/31/2017
SHAREHOLDERS' EQUITY			
Share capital	16.1	1,875	1,875
Other reserves	16.2	422,261	400,020
Reserve for actuarial gains and losses	16.3	(220)	(218)
Cash Flow Hedge reserve	16.4	(926)	(975)
FTA Reserve	16.5	3,252	3,252
Result for the period/year		10,522	22,046
TOTAL GROUP SHAREHOLDERS' EQUITY		**436,764**	**425,999**
Minority shareholders' equity		2,949	2,875
Result attributable to minority interests		644	1,491
TOTAL SHAREHOLDERS' EQUITY		**440,357**	**430,366**
NON-CURRENT LIABILITIES			
Defined benefit plans	17	2,696	2,867
Provisions for risks and other charges	18	4,314	3,668
Non-current financial liabilities	19	126,516	138,079
Deferred taxes		41,160	41,150
Other non-current liabilities	20	26	82
TOTAL NON-CURRENT LIABILITIES		**174,713**	**185,846**
CURRENT LIABILITIES			
Current financial liabilities	19	2,611	2,133
Trade payables	21	35,247	33,650
Tax payables and other current liabilities:	22		
—Tax payables and due to tax authorities	22.1	2,523	2,680
—Due to social security institutions	22.2	1,241	1,694
—Due to personnel and other payables	22.3	7,898	7,355
TOTAL CURRENT LIABILITIES		**49,520**	**47,512**
TOTAL LIABILITIES		**224,233**	**233,357**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**664,589**	**663,723**

Interim Condensed Consolidated Statement of Profit/(Loss)

(amounts in thousands of Euro)	Notes	Half I, 2018	Half I, 2017
Revenues from contracts with customers	23	107,916	105,043
Other revenues and income	24	1,506	1,391
TOTAL REVENUES		**109,422**	**106,434**
Purchases of raw materials and variation in inventories	25	(32,074)	(32,556)
Personnel costs	26	(18,548)	(17,118)
Service costs	27	(31,281)	(29,086)
Provisions	28	(645)	(568)
Other costs and charges	29	(2,799)	(2,773)
TOTAL COSTS		**(85,346)**	**(82,101)**
Amortization, depreciation and impairment	30	(4,290)	(4,300)
OPERATING PROFIT		**19,785**	**20,032**
Financial income	31	477	265
Financial charges	32	(5,393)	(6,329)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**14,868**	**13,969**
Income taxes	33	(3,702)	(4,333)
NET RESULT FROM CONTINUING OPERATIONS		**11,166**	**9,636**
PROFIT/(LOSS) FOR THE PERIOD		**11,166**	**9,636**
Profit/(Loss) for the period, attributable to minority interest		644	820
Profit/(Loss) for the period, attributable to the Group		10,522	8,815

Interim Condensed Consolidated Statement of the Other Comprehensive Income

(amounts in thousands of Euro)	Half I, 2018	Half I, 2017
PROFIT FOR THE PERIOD	**11,166**	**9,636**
Other comprehensive income/ (expense) that may be reclassified to profit/ (loss) in subsequent periods:		
Exchange difference on translating foreign financial statements	195	(256)
Net profit/ (loss) from cash flow hedge	49	383
NET OTHER COMPREHENSIVE INCOME/ (EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT/(LOSS) IN SUBSEQUENT PERIODS, NET OF TAX	**244**	**127**
Other comprehensive income (expense) that may not be reclassified to profit/(loss) in subsequent periods, net of tax:		
Profit/(Loss) from revaluation of defined benefit plans	(2)	11
NET OTHER COMPREHENSIVE INCOME/ (EXPENSE) THAT MAY NOT BE RECLASSIFIED TO PROFIT/(LOSS) IN SUBSEQUENT PERIODS, NET OF TAX	**(2)**	**11**
OTHER COMPREHENSIVE INCOME/ (EXPENSE), NET OF TAX	**242**	**138**
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**11,408**	**9,774**
Profit for the period, attributable to the Group	10,764	8,953
Profit for the period, attributable to minority interests	644	820

Interim Condensed Consolidated Statement of changes in Shareholders' Equity for the six mo

	6/30/2018									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserve	Employee severance indemnity discounting reserve	FTA reserve	Cash Flow Hedge reserve	Other reserves	Profit for the period
Balance at beginning of period	**1,875**	**20,000**	**16,862**	**500**	**94,225**	**(218)**	**3,252**	**(975)**	**268,433**	**22,046**
Allocation of earnings from previous year					**21,849**				**197**	**(22,046)**
Profit/(Loss) for the period										10,522
Other income (expense)						(2)		49	195	
Total comprehensive profit for the period	**—**	**—**	**—**	**—**	**—**	**(2)**	**—**	**49**	**195**	**10,522**
Dividends for the period										
Other movements										
Total changes for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at period end	**1,875**	**20,000**	**16,862**	**500**	**116,074**	**(220)**	**3,252**	**(926)**	**268,825**	**10,522**

Interim Condensed Consolidated Statement of changes in Shareholders' Equity for the six mo

	6/30/2017									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserve	Employee severance indemnity discounting reserve	FTA reserve	Cash Flow Hedge reserve	Other reserves	Profit for the period
Balance at beginning of period	**1,875**	**20,000**	**16,862**	**500**	**68,364**	**(232)**	**3,252**	**(1,462)**	**271,856**	**22,623**
Allocation of earnings from previous year					**25,861**				**(3,238)**	**(22,623)**
Profit/(Loss) for the period										8,815
Other income (expense)						11	—	383	(256)	
Total comprehensive profit for the period	**—**	**—**	**—**	**—**	**—**	**11**	**—**	**383**	**(256)**	**8,815**
Dividends for the period										
Acquisition of non controlling interest									557	
Other movements										
Total changes for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**557**	**—**
Balance at period end	**1,875**	**20,000**	**16,862**	**500**	**94,225**	**(221)**	**3,252**	**(1,079)**	**268,919**	**8,815**

Interim Condensed Consolidated Cash Flow Statement

(amounts in thousands of Euro)	Notes	Half I, 2018	Half I, 2017
PROFIT FROM OPERATIONS AFTER TAX		**11,166**	**9,636**
Depreciation and impairment of tangible fixed assets	30	2,270	2,649
Amortisation and impairment of intangible fixed assets	30	1,876	1,398
Financial income	31	(477)	(265)
Financial charges	32	5,393	6,329
Income taxes	33	3,702	4,333
Current asset impairment	30	145	253
Operating activities:			
Net change in employee severance indemnities and pension funds		(173)	175
Net change in provisions for risks and other charges		646	515
Net change in deferred tax assets and liabilities		(393)	118
(Increase)/decrease of inventories	11	(4,604)	(2,955)
(Increase)/decrease of trade receivables	12	1,493	(509)
(Increase)/decrease of other non-financial assets	10/13	1,299	2,042
Increase/(Decrease) of trade payables	21	1,598	1,630
Increase/(Decrease) of tax payables	22	(3,859)	(3,676)
Increase/(Decrease) of other non-financial liabilities	22	255	(3,258)
NET CASH FLOWS FROM OPERATIONS		**9,171**	**8,779**
Investing activities:			
Purchases of tangible fixed assets, net	8	(2,514)	(2,275)
Purchases of intangible fixed assets, net	7	(1,956)	(1,314)
Acquisition of subsidiaries, net of cash acquired		—	(400)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(4,470)**	**(3,989)**
Financing activities:			
(Increase)/decrease of financial receivables	9/14	536	615
Increase/(Decrease) of financial payables	19	(16,478)	(22,972)
Dividends paid to minority interests		(1,442)	(1,565)
CASH FLOW FROM FINANCING ACTIVITIES		**(17,384)**	**(23,922)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,517)**	**(9,496)**
Net cash and cash equivalents at the beginning of the period		29,687	30,807
Net cash and cash equivalents at the end of the period		28,171	21,311

Explanatory Notes to the Interim Condensed Consolidated Financial Statements

1 COMPANY INFORMATION

Flos S.p.A. (hereinafter also "***FLOS***" or the "***Parent Company***") is a joint-stock company, established and domiciled in Italy, with registered office in Bovezzo (BS), via Angelo Faini no. 2.

FLOS was incorporated in Merano, Italy, in 1962. FLOS is the leading brand in the high-end design and lighting sector. Ever since it was established, the Company has been universally recognised for the excellence of its design achieved through exclusive collaboration agreements with the best architects of the last 50 years.

Flos Group operates through four main business lines:

- the "*Design*" collection, which represents the historic core business of FLOS, developed and produced by the Parent Company in Bovezzo (BS);
- the "*Architectural*" collection, developed and produced by the subsidiary Antares Ilumination S.A.U., located in Valencia (Spain);
- the "*Custom*" collection, developed and produced by the italian subsidiary Light Contract S.r.l. in Collebeato (BS);
- the "*Outdoor*" collection, developed and produced by the italian subsidiary Ares S.r.l. in Bernareggio (MB).

1.1 IMPORTANT EVENTS OCCURRED DURING THE PERIOD

No important events occurred during the period ending June 30, 2018 and June 30, 2017.

1.2 ACQUISITIONS AND REORGANIZATION

During the period ending June 30, 2018 no acquisitions or reorganizations were carried out.

On January 31, 2017 Flos SpA acquired a 10% interest in Light Contract Srl for an amount of € 557 thousands corresponding to the net book value; following this acquisition Flos SpA owns the 70% of Light Contract Srl.

On May 3, 2017, Flos Group acquired through Flos France SaS a 100% investment interest in KKDC Sàrl, then renamed Flos Projets Sàrl.

2 BASIS OF PREPARATION

The half-yearly condensed consolidated financial statements as at June 30, 2018 and 2017 were drawn up in compliance with IAS 34 international accounting standard on interim financial reporting. IAS 34 allows for the preparation of the financial statements in a "condensed" form, meaning they can provide minimum reporting content and substantially less disclosure than provided for by the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union. The Condensed Interim Financial Statements as at June 30, 2018 have been drawn up in a "condensed" form and therefore must be read in conjunction with the Consolidated Financial Statements for the Group for the year ended December 31, 2017.

The Interim Condensed Consolidated Financial Statements are presented in Euro, and all amounts are expressed in thousands of Euro, unless otherwise specified.

The half-yearly condensed consolidated financial statements have been drawn up with the expectation that the business is a going concern.

The accounting principles used to draw up the half-yearly condensed consolidated financial statements are consistent with those used to draft the consolidated financial statements as at December 31, 2017, except for the adoption of new principles, amendments or interpretations effective from January 1, 2018. The Group has not early adopted any new principles, interpretations or amendments issued but not yet in force.

The nature and effects of these changes are described below. Even though these new principles and amendments were applied for the first time in 2018, they have not significantly affected the consolidated financial statements of the Group nor the half-yearly condensed consolidated financial statements of the Group. The nature and impact of each new principle/amendment have been listed below.

2.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 replaces IAS 11 Construction contracts and IAS 18 Revenue and related interpretations. It applies to all revenue from contracts with customers, unless these contracts fall into the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15, using the full retrospective adoption method, with no need to restate due to the absence of material impacts.

The Group's sales contracts usually only include one obligation. The Group arrived at the conclusion that revenue from product sales should be recognised at the time when control of the assets is transferred to the customer, which is generally when goods are delivered. Therefore, adopting IFRS 15 has not impacted the timeing of recognition of revenue.

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15.

2.2 IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for the years beginning on or after January 1, 2018, combining all three aspects involved in accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied IFRS 9 retrospectively, with an initial application date of January 1, 2018 and adjustment of comparative information for the year starting on January 1, 2017.

The adoption of this standard had no significant impact on the Group.

For Hedge accounting the Group continued to apply IAS 39.

2.3 OTHER INTERPERTATIONS AND AMENDMENTS TO EXISTING STANDARDS

2.3.1 IFRIC INTERPRETATION 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATIONS

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a

non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

2.3.2 AMENDMENTS TO IAS 40 TRANSFERS OF INVESTMENT PROPERTY

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

2.3.3 AMENDMENTS TO IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

2.3.4 AMENDMENTS TO IFRS 4 APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

2.3.5 AMENDMENTS TO IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES—CLARIFICATION THAT MEASURING INVESTEES AT FAIR VALUE THROUGH PROFIT OR LOSS IS AN INVESTMENT-BY-INVESTMENT CHOICE

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements

2.3.6 AMENDMENTS TO IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—DELETION OF SHORT-TERM EXEMPTIONS FOR FIRST-TIME ADOPTERS.

The short-term exemption specified in paragraphs E3-E7 of IFRS1 were cancelled since they fulfilled their purpose. These amendments didn't have any impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET IN EFFECT

The standards and interpretations that as at the date the interim consolidated financial statements were drafted had already been issued but were not yet in effect are explained below. The Group intends to adopt these standards when they enter into force.

2.4.1 IFRS 16 LEASES

The standard IFRS 16 Leases issued by the IASB on January 13, 2016 and approved by the European Union in November 2017 fully replaces all the previous IFRS accounting requirements for the accounting of leases (IAS 17 and IFRIC 4). The standard applies to all contracts concerning the right to use an asset for a certain period of time in exchange for a specific fee. IFRS 16 sets, for lessees, a single accounting model for all leases (with specific cases of exclusion and exemption), eliminating the distinction between operating and financial leasing. The accounting for lessors remains substantially unchanged compared to the previous provisions.

The initial recognition, for the lessee, involves the recording of an asset equal to the right to use the underlying asset and a lease liability corresponding to the present value of the future lease payments. The subsequent measurement involves the amortization of the right-of-use asset and an interest expense on the lease liability created during initial recognition using a discount rate defined in the leasing contract. Interest expense and depreciation/amortization are recognized separately in the income statement.

The new standard will be in force for the financial years beginning on or after January 1, 2019, with early application permitted on condition that the new IFRS 15 is already adopted or is applied on the same date as the first application of the IFRS 16 in question.

The analyses are underway to identify impacts and changes to the economic and financial situation of Flos Group, which will be concluded in time to correctly adopt the standard in question starting from the Financial Statements beginning on January 1, 2019.

3 CONSOLIDATION PRINCIPLES

The Interim Condensed Consolidated Financial Statements include the financial statements of Flos S.p.A. and its subsidiaries as at June 30, 2018 and 2017.

Control is obtained when the Group is exposed or is entitled to variable returns arising from its relationship with the investee entity and, at the same time, is able to affect these returns by exercising its power on said entity.

More specifically, the Group controls an investee if—and only if—the Group has:

- power over the investee entity (or has valid rights that give it the current ability to direct the relevant activities of the investee entity);

- exposure or rights to variable returns from its involvement with the investee entity;
- the ability to exercise its power over the investee entity to affect the amount of its returns.

When the Group owns less than the majority of the voting rights (or similar rights), it has to consider all the significant events and circumstances in order to determine whether or not to control the investee entity, including:

- Contractual agreements with other owners of voting rights;
- Rights arising from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group re-assesses whether or not it has control of an investee if the events and circumstances indicate that there have been changes in one or more of the three significant elements defining control. The consolidation of a subsidiary starts when the Group obtains its control and ends when the Group loses that same control. The assets, liabilities, revenues and costs of the acquired or transferred subsidiary during the period are included in the comprehensive income statement starting from the date when the Group obtains control and stops when the Group no longer exercises control over the company.

The profit (loss) for the period and each of the other comprehensive income (expense) are attributed to the shareholders of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. Whenever necessary, the financial statements of the subsidiaries are appropriately adjusted in order to ensure conformity with the accounting policies of the Group. All intercompany assets and liabilities, the shareholders' equity, revenues, costs and cash flows regarding transactions between Group entities are totally eliminated during consolidation.

The changes in the shareholdings in a subsidiary that do not entail loss of control are recorded under shareholders' equity.

If the Group loses the control of a subsidiary, it has to eliminate its assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recorded on the income statement. The shareholding kept, if any, has to be recognised at fair value.

The companies of the FLOS Group included in the scope of consolidation as at 2018 are listed below, compared with the consolidation perimeter as at June 30, 2017 and as at December 31, 2017:

DENOMINATION	Share capital as at 6/30/2018	Shareholding as at 6/30/2018	Share capital as at 12/31/2017	Shareholding as at 12/31/2017	Share capital as at 6/30/2017	Shareholding as at 6/30/2017
Antares Iluminacion S.A.U.	€ 401	100%	€ 401	100%	€ 401	100%
Flos Illuminacion Shanghai Co. Ltd*	CNY 4,000	100%	CNY 4,000	100%	CNY 4,000	100%
Antares Iluminacion Pte Ltd*	SGD 0.1	100%	SGD 0.1	100%	SGD 0.1	100%
Ares S.r.l.	€ 78	100%	€ 78	100%	€ 78	100%
Flos Lighting Design (Beijing) Co. Ltd**	—	—	—	—	CNY 4,003	100%
Flos Benelux NV	€ 100	100%	€ 100	100%	€ 100	100%
Flos B.V.	€ 931	100%	€ 931	100%	€ 570	100%
Euroformat S.r.l.	€ 75	100%	€ 75	100%	€ 75	100%
Flos GmbH	€ 300	100%	€ 300	100%	€ 300	100%
Flos Japan Co. Ltd	JPY 40,000	100%	JPY 40,000	100%	JPY 40,000	100%
Light Contract S.r.l.	€ 13	70%	€ 13	70%	€ 13	70%
Flos Milano S.r.l.	€ 100	100%	€ 100	100%	€ 100	100%
Flos Norge AS	NOK 1,500	55%	NOK 1,500	55%	NOK 1,500	55%
Flos Roma S.r.l.	€ 31	100%	€ 54	100%	€ 54	100%
Flos France S.a.s.	€ 61	100%	€ 61	100%	€ 61	100%
Flos Projets S.àr.l.****	€ 124	100%	€ 124	100%	€ 124	100%
Flos Scandinavia A/S	DKK 1,429	65%	DKK 1,429	65%	DKK 1,429	55%
Flos Sverige AB***	SEK 100	65%	SEK 100	65%	SEK 100	55%
Flos Usa Inc.	USD 390	100%	USD 390	100%	USD 390	100%
Flos UK Ltd	GBP 136	100%	GBP 136	100%	GBP 136	100%

* Note 1: The shareholding in Flos Illuminacion Shanghai Co. Ltd and Antares Iluminacion Pte Ltd (Singapore) is entirely owned by Antares Iluminacion S.A.U. (ES), therefore the indirect equity investment pertaining to the Group is 100%.

** Note 2: Flos Lighting Design (Beijing) Co. Ltd has been liquidated on 2017.

*** Note 3: The shareholding in Flos Sverige AB is held by Flos Scandinavia A/S. Consequently, the indirect equity investment pertaining to the Group as at June 30, 2018 is 65%.

** Note 4: On May 3, 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl.

4 DISCRETIONARY ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparing the Group Interim Condensed Consolidation Financial Statements requires the directors to make discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the disclosures regarding them, as well as information on contingent liabilities. The uncertainty of these assumptions and estimates might give rise to results that will require a significant adjustment to the carrying value of these assets and/or liabilities in the future.

4.1 DISCRETIONARY ASSESSMENTS

In applying the Group's accounting principles, the directors have taken decisions based on the following discretionary assessments (not including those that involve estimates) with a significant effect on the values entered in the financial statements.

4.2 ESTIMATES AND ASSUMPTIONS

The assumptions regarding the future and the other main causes of uncertainty in the estimates that as at June 30, 2018 pose the significant risk of giving rise to significant adjustments of the carrying values of the assets and liabilities by the end of the following period are illustrated here below. The Group has based its estimates and assumptions on parameters available at the time the interim condensed consolidated financial statements were prepared. Nevertheless, the current circumstances and assumptions on the future developments may change due to changes in the market or circumstances that are beyond the Group's control. These changes, should they occur, are reflected in the assumptions.

4.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is its fair value, net of the selling costs, and its value in use, whichever is higher. The fair value less selling costs is the amount obtainable from the sale of an asset or of a cash generating unit in a free transaction between aware and willing parties, less the disposal costs. Calculation of the value in use is based on a discounted cash flow model. The cash flows are taken from the budget of the five subsequent years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will enhance the performance of the assets of the cash generating unit being measured. The recoverable amount is sensitive to the discount rate used in the cash flow discounting model, as well as the expected future cash flows and the growth rate used for extrapolation purposes.

4.4 DEFINED BENEFIT PLANS (EMPLOYEE SEVERANCE INDEMNITIES)

The cost of the defined benefit pension plans and other medical benefits subsequent to employment and the present value of the obligation for defined benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual future developments. These assumptions include the determination of the discount rate, the future salary increases, mortality rates and the future increase in pensions. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty and highly sensitive to changes in these assumptions. All the assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the corporate bond interest rate as a reference, in currencies consistent with the currencies for the defined benefit obligations, that have at least a AA rating, assigned by internationally recognised rating agencies, and with average due dates corresponding to the expected duration of the defined benefits obligation. The bonds undergo another qualitative analysis and those having a credit spread deemed excessive are eliminated from the population of bonds on which the discount rate is calculated since they do not represent a high-quality category of bonds.

The mortality rate is based on the mortality tables available on for each country. The future salary increases and pension increases are based on the inflation rates expected for each country.

4.5 DEVELOPMENT COSTS

Development costs are capitalised according to the reference accounting principles. Initial capitalisation of the costs is based on management's judgement that technical and economic feasibility of the project is confirmed. This usually takes place when the project has reached a precise stage of the development plan.

4.6 MANAGEMENT INCENTIVE PLAN

On March 29, 2017 the Board of Directors of Flos S.p.A. approved the Management incentive plan for Directors and Managers with strategic responsibilities.

The plan foresees the assignation of special shares for a total amount of Eur 18.25 million. Upon the exit of the majority shareholder of Flos, the beneficiaries will be entitled to receive a payment for the value of the assigned special shares, subject to the fact that such value is at least 2x the base value indicated in the Plan.

On June 30, 2018, 260,321 out of 686,542 special shares have been assigned to Directors and Managers. The estimated fair value of the Plan at June 30, 2018 is equal to Eur 1.2 million.

Such estimate is based on the following assumptions:

- 100% probability that no beneficiary loses any right during the vesting period;
- 30% probability that the share value is at least 2x the base value at the exit;
- 80% probability the closing will occur during the vesting period.

At the time of writing this note, following the signing of sale and purchase agreements concerning the sale or contribution of the entire corporate capital of the Company it is contemplated that some Directors and Managers with strategic responsibilities will be assigned Eur 18.25 million (either as extraordinary bonuses or phantom stock options). Such amount is committed to be paid out at the closing of the transaction, which is expected to occur by the end of 2018 or the beginning of 2019.

4.7 OBJECTIVES AND CRITERIA FOR MANAGING FINANCIAL RISK

The major financial liabilities of the Group comprise trade payables, loans and other payables. The main objective of these liabilities is to fund the Group's operating activities. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operational activities.

The Group is exposed to **market risk** (interest and exchange rate), **credit risk** and **liquidity risk**. Group Management is appointed to manage these risks. The Board of Directors reviews and approves the management policies of each of the risks described below.

4.7.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will change due to the changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates is first of all related to the long-term debt with variable interest rate.

The Group manages its interest rate risk through two Interest Rate Swap (IRS) contracts, where the Group agrees to exchange the difference in amount between the fixed rate and the variable rate each quarter. This difference is calculated referring to an agreed notional principal amount. The details are as follows. See Note 39.

	Notional	Sell	Buy
IRS June 30, 2015 (start date)	80,000	Euribor 3M	0.574%
IRS December 31, 2015 (start date)	30,000	Euribor 3M	0.411%

A sensitivity analysis on how an unfavourable change in interest rates of + 1% on the portion of variable rate loans not covered by IRS would lead to a lower pre-tax profit of Eur 451 thousand.

4.7.2 EXCHANGE RATE RISKS

Exchange rate risk is the risk that the fair value or the future cash flows of an exposure will change due to the changes in the exchange rates. The Group's exposure to the risk of exchange rate changes mainly refers to the operating activities of the Group (when the revenues or costs are denominated in a foreign currency) and to the net investments of the Group in foreign subsidiaries.

Although the Group has a strong international connotation, the use of the Euro as trans-national currency for most of its transactions, reduces almost entirely any risks connected to variations in exchange rates. The Group is mainly exposed for positions denominated in U.S. dollars, Norwegian kroner, Danish kroner and Japanese yen, for volumes, which are not such as considered significant on impacting its equity financial position, and results of operations. Consequently, no sensitivity analysis has been made on the changes in exchange rates.

The exchange rates applied when converting asset and liability balances into a currency other than the Euro as at June 30, 2018 and December 31, 2017, as well as the average rates for the period January 1—June 30, 2018 and January 1—June 30, 2017 are:

		2018		2017	
		EXCHANGE RATE – END OF PERIOD	AVERAGE EXCHANGE RATE	EXCHANGE RATE – END OF PERIOD	AVERAGE EXCHANGE RATE
		6/30/2018	6/30/2018	12/31/2017	6/30/2017
CNY	China Renminbi	7.7170	7.7433	7.8044	7.4417
DKK	Danish Kroner	7.4525	7.4466	7.4449	7.4368
GBP	Pound Sterling	0.8861	0.8808	0.8872	0.8601
JPY	Japanese yen	129.0400	132.0300	135.0100	121.6587
NOK	Norwegian Kroner	9.5115	9.6029	9.8403	9.1750
SEK	Swedish Kroner	10.4530	10.0884	9.8438	9.5954
SGD	Singapore Dollars	1.5896	1.6098	1.6024	1.5200
USD	United States Dollars	1.1658	1.2141	1.1993	1.0825

4.7.3 CREDIT RISK

Credit risk is the risk that a counterparty does not fulfil its obligations tied to a financial instrument or to a commercial contract, therefore leading to a financial loss. The Group is exposed to the credit risk arising from its operating activities (above all for trade receivables and credit notes) and includes deposits with banks and financial institutions.

The individual subsidiaries manage the credit risk related to the commercial counterparties and it is monitored centrally by the Group Administration Department. The Group has no significant concentrations of credit risk. However, there are procedures aimed at ensuring that the sales of products and services are made to very reliable customers, and their financial position, past experience and other factors are taken into account. The credit limits on the major customers are based on internal and external assessments on the basis of thresholds approved by the managements of the single countries. Use of the credit limits is periodically monitored.

The current customer list consists of the key players of the market with credit ratings of maximum reliability. Therefore, no measures to cover this risk other than the normal procedures and controls used for managing credit risk have been provided.

Please note that there are no receivables that are overdue greater than 12 months.

4.7.3.1 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

As for the credit risk regarding the management of financial and cash resources, the risk is monitored by the Group Administration Department, which implements procedures aimed at ensuring that the Group Companies have relations with independent counterparties of a high and reliable profile.

4.7.4 LIQUIDITY RISK

The Group monitors the risk of a shortage of liquidity using a liquidity-planning tool.

The Group is not significantly exposed to this type of risk since the financial and capital structure of the Group is sound.

4.7.5 EXCESSIVE CONCENTRATION RISK

Concentration arises when a number of counterparties are engaged in a similar business or carry on their activities in the same geographical area or have economic characteristics such as to see their ability to honour contractual commitments affected by economic or political changes, or by other conditions. Concentration indicates the relative sensitivity of the Group's result to changes that might influence a particular sector.

In order to prevent an excessive concentration of risk, the Group's rules and procedures include specific guidelines for keeping a diversified portfolio. Once any situations of credit risk concentration are identified, they are controlled and managed as a consequence. Specific hedging is used within the Group to manage the risk of concentration, on both the relations and sector levels.

4.8 COMMITMENTS AND RISKS

4.8.1 GUARANTEES AND COMMITMENTS

In connection with the Senior Facility Agreement stipulated with Unicredit AG, Milan Branch, the Parent Company Flos S.p.A. has provided the following collateral/guarantees in place as at June 30, 2018:

- a deed of mortgage on the property located in Bovezzo (BS);
- a deed of lien on certain assets of the Parent Company, pursuant to Art. 46 of the Italian Consolidated Banking Law;
- a Spanish pledge document regarding the shares of Antares Iluminacion S.A.U.;
- a pledge document regarding the quota of Ares S.r.l.;
- a pledge document regarding the main current accounts of the Parent Company (and on their balances, including any accrued and accruing interest);
- a pledge document regarding several titles to industrial property of the Parent Company.

The Group had also provided the following collateral/guarantees as at June 30, 2018:

- guarantee given by the Parent Company against the lease of the Milan Showroom in Corso Monforte 15 for Eur 44 thousand; guarantee given by Flos BV—Subsidiary in Amsterdam—for the lease of the Showroom for Eur 53 thousand;
- guarantees issued from the Group for supplies to customers, amounting to Eur 558 thousand;
- guarantee on payables recorded in the financial statements of the subsidiary Flos USA Inc. for the deferred payment of the purchase price of Lukas Lighting Inc.; the residual commitment as at June 30, 2018 amounted to Eur 1,379 thousand;
- bank surety issued on December 27, 2016 by Unicredit on behalf of the Parent Company in favour of the Italian Tax Authorities for an amount (including interests) of Eur 953 thousand, with 3-year validity, to guarantee the payment of 2015 VAT reimbursement of Eur 894 thousand, collected on March 23, 2017.

4.8.2 FINANCIAL LEASING AND REDEMPTION COMMITMENTS

The Group signed a financial leasing contract with ING Leasing of Madrid (ES) following the purchase of the industrial property by the subsidiary Antares Iluminacion S.A.U. and related takeover of the underlying lease contract. This commitment is equal to Eur 5,159 thousand (Eur 637 thousand within 12 months and Eur 4,522 after 12 months) and will end on 2022.

4.9 RISK PROVISIONS

The Group deemed it appropriate to account for the following:

- the warranties risk provision has been increased by Eur 426 thousand to Eur 2,569 thousand, to cover the ever growing requests for extended warranties on LED Products beyond the 24 months set forth by the law;
- the risk provision prudentially accounted by the Parent Company and the subsidiaries Ares S.r.l. and Flos Benelux NV (amounting to Eur 394 thousand) to cover possible future cash outs for legal dispute currently in course and for which the Lawyers determined the possible liability.

5 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS

No business combinations were carried out by the Group in 2018. Those occurred in 2017 are summarised below.

5.1 ACQUISITION OF THE MINORITY INTEREST IN LIGHT CONTRACT SRL IN 2017

On January 31, 2017 Flos S.p.A. has acquired a 10% interest in Light Contract S.r.l. for an amount of Eur 557 thousand corresponding to the net book value; following this acquisition Flos S.p.A. owns the 70% of Light Contract S.r.l..

5.2 ACQUISITION OF THE MINORITY INTEREST IN FLOS SCANDINAVIA A/S IN 2017

On December 29, 2017 Flos S.p.A. has acquired a 10% interest in Flos Scandinavia A/S for an amount of Eur 504 thousand corresponding to the net book value; following this acquisition Flos S.p.A. owns the 65% of Flos Scandinavia A/S.

5.3 ACQUISITION OF KKDC SARL IN 2017

On May 3, 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl.

The fair value of the assets and liabilities of KKDC Sàrl at the reference date of the acquisition (April 1, 2017) is the following:

	FAIR VALUE RECOGNISED AT TIME OF ACQUISITION
Other intangible assets	211
Property, plant and machinery	21
Other non-current assets	61
Inventories	183
Trade receivables	913
Tax assets and other assets	12
Cash and cash equivalents and short-term deposits	244
TOTAL ASSETS	**1,644**
Short-term financial liabilities	(244)
Other liabilities	(703)
Trade payables	(521)
TOTAL LIABILITIES	**(1,468)**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**176**
Goodwill coming from the acquisition	1,100
CONSIDERATION OF THE ACQUISITION	**1,276**
Net financial indebtedness	(363)
CONSIDERATION OF THE ACQUISITION inclusing Net financial indebtedness	**1,639**

As foreseen by IFRS3 the difference between the acquisition consideration (Eur 1,276 thousands) and the Net assets value (Eur 176 thousands) has been allocated to Goodwill, amounting to Eur 1,100 thousands. Please note that Flos Projets Sàrl's revenues at June 30, 2017 amounted to 1,524 thousands.

6 GOODWILL

The total value of Goodwill amounted to Eur 354,866 thousand broken down as follows:

	6/30/2018	12/31/2017
Goodwill after reverse merge Flos S.p.A.	315,146	315,146
Goodwill from acquisition of Ares S.r.l.	32,196	32,196
Goodwill from acquisition of Lukas Lighting Inc.	6,424	6,424
Goodwill from acquisition of Flos Projets S.a.r.l.	1,100	1,100
TOTAL ASSETS WITH INDEFINITE USEFUL LIFE	**354,866**	**354,866**

6.1 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE FIXED ASSETS WITH INDEFINITE USEFUL LIFE

According to IAS 36, Goodwill is not subject to amortisation and undergoes impairment testing at least once a year.

Goodwill is allocated to the Cash Generating Units (CGUs) for impairment testing. Impairment testing is performed by comparing the carrying value of the Goodwill and the total net assets able to produce autonomous cash flows (CGUs), to which Goodwill can reasonably be allocated, with the value in use of the CGU or that recoverable of it through disposal, whichever is higher. More specifically, the value in use was determined by applying the Discounted Cash Flows

method, discounting the operational flows resulting from economic-financial projections based on assumptions contained in the plan officially approved by the Management.

The discount factor used is the WACC (Weighted Average Cost of Capital) with reference to the sector in which the CGU under evaluation operates.

The valuation model determines the value in use as the sum of the operational cash flows (defined as EBITDA net of notional taxes on the operating result and changes in the net working capital, changes in provisions, disinvestments/investments in capital assets) for each year of the plan.

The terminal value is determined by applying a perpetual growth factor essentially representative of the expected inflation rate in Italy (the primary market in which the identified CGUs operate) to the operational cash flows relating to the last year of plan appropriately normalised.

According to the Management's vision, the business of the Flos Group must be read based on the division both by collection ("Architectural", "Decorative", "Outdoor", etc.) and by channel/ customer (*retail vs contract*), the one being transversal with respect to the other. Moreover, an important part of sales is made through the foreign branches operating on all channels and on all collections. This matrix structure brings about a substantial interdependency of cash flows generated by collection/channel/legal entity, all depending on the "FLOS" trademark. These are the reasons why the impairment test was carried out considering the Group as as whole a unique CGU and the net invested capital as a whole was tested.

The Discounted Cash Flow analysis was prepared based on the 2018 Budget of the Flos Group approved by the Board of Directors on February 12, 2018 and on the business plan for the 2019-2021 period drawn up by the Management in view of the merger project, approved by the Board of Directors.

The Impairment test was made on December 2017 figures with a positive results.

The "value in use" was calculated based on a WACC, net of tax, equivalent to 7.38% and a "g rate" of 2%. These rates were determined by referring to the discounting rates used by a number of international analysts in financial reports concerning comparable players operating in the same sector and listed in regulated markets.

The sensitivity analysis on the impairment test, conducted as required by IAS 36 in order to identify the effects generated on the "value in use" by a reasonable change of basic assumptions (WACC, growth rates), showed no appreciable effects on the "value in use", also in relation to a negative change of 0.5 on the g rate and a positive change of 0.5 on WACC.

The dynamics of business recorded in the periods examined and updated forecasts of future trends are consistent with the assumptions used to determine the recoverable amount of goodwill and the trademark carried out during the preparation of the annual consolidated financial statements as at December 31, 2017. And for June 30, 2017 and for June 30, 2018 no indicators of possible impairment losses were identified and therefore no specific impairment tests were performed on these captions.

7 OTHER INTANGIBLE FIXED ASSETS

Other Intangible Assets totalled Eur 148,458 thousand as at June 30, 2018 and included the following:

	DEVELOPMENT COSTS	PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENSES AND TRADEMARKS AND OTHER INTANGIBLE FIXED ASSETS	TRADEMARK	TOTAL INTANGIBLE ASSETS, EXCLUDING GOODWILL
Historical cost at beginning of current period	**12,741**	**5,627**	**1,697**	**143,500**	**163,565**
Increases	1,114	706	168	—	**1,987**
Decreases	—	(36)	(3)	—	**(39)**
Transfers / Reclassifications	—	41	(150)	—	**(109)**
Exchange rate difference	—	20	24	—	**44**
Historical cost at end of current period	**13,855**	**6,358**	**1,736**	**143,500**	**165,448**
Accumulated depreciation at beginning of current period	**(10,499)**	**(4,272)**	**(415)**	**—**	**(15,186)**
Increases	(1,095)	(452)	(338)	—	(1,886)
Decreases	—	36	—	—	36
Transfers / Reclassifications	—	—	81	—	81
Exchange rate difference	—	(17)	(17)	—	(34)
Other variations	—	(1)	—	—	(1)
Accumulated depreciation at end of current period	**(11,594)**	**(4,707)**	**(689)**	**—**	**(16,990)**
Net book value at end of current period	**2,261**	**1,651**	**1,046**	**143,500**	**148,458**

Development costs for Eur 2,261 thousand include the costs of personnel dedicated to product development carried out within the Group. These costs are amortised over three years.

The item **Patents and intellectual property rights** for Eur 1,651 thousand is increased for:

- items entered by the Parent Company totalling Eur 607 thousand, of which:
  - Patents, amounting to Eur 151 thousand;
  - Software, amounting to Eur 231 thousand;
  - Web-site and e-commerce amounting to Eur 147 thousand;
  - Image rights, amounting to Eur 74 thousand;
  - Minor licenses, amounting to Eur 4 thousand;
- items related to the other Group companies, for Eur 437 thousand, mainly consisting of software.

The item **Concessions, licenses and trademarks and other intangible fixed assets** for Eur 1,046 thousand refers mainly to the Parent Company's assets; specifically:

- the production license relating to the line "*Soft Architectural*", for a residual amount of Eur 572 thousand;
- the deposit of trademarks increased for to Eur 47 thousand.

The caption also includes Eur 220 thousand for the key money that the subsidiary Flos France Sas paid for the Paris and Lyon stores.

The item **Trademarks**, equal to Eur 143,500 thousand, refers only to the "FLOS" trademark, recorded in the Company's financial statements as from 2015, following the reverse merger of Padme S.p.A. and Arco S.p.A.. The value of the trademark, which has been considered to have an indefinite useful life and therefore not amortised, was determined at an amount of Eur 143,500 thousand by an independent expert's appraisal, based on the "relief from royalties" method.

The trademark was positively tested at December 31, 2017 for impairment by management. The dynamics of business recorded in the periods examined and updated forecasts of future trends are consistent with the assumptions used to determine the recoverable amount of goodwill and the trademark carried out during the preparation of the annual consolidated financial statements as at December 31, 2017. No indicators of possible impairment losses were identified and therefore no specific impairment tests were performed on these captions.

Moreover, it should be noted that the recognition of the "FLOS" trademark also involved the allocation, in 2015 of the related deferred taxes, amounting to Eur 40,037 thousand.

At December 2017 the trademark was tested for impairment by comparing the carrying value of the trademark with its value in use resulting from the Discounted Cash Flow generated by the application of the Royalty Relief Method. Based on this method, cash flows are linked to the recognition of a royalty percentage applied to the amount of revenues that the trademark can generate. As regards the 2017 assessment, revenues are based (i) for 2018, on the Budget approved by the Board of Directors on 12 February 2018; (ii) for the 2019-2021 period, on the business plan prepared for the merger project and approved by the Board of Directors on 29 June 2015; (iii) for the 2022-2027 period, based on 2% growth.

The "g" growth rate used was equal to 2%.

The discounting factor used is the WACC (Weighted Average Cost of Capital), recorded with reference to the sector in which the CGU under evaluation operates. The WACC (Weighted Average Cost of Capital) was calculated as 7,38% and then increased by 2% to reflect the premium related to the Trademark.

The results of the sensitivity analysis highlight that the economic value of the FLOS trademark is higher than the carrying amount even in case of a 1% negative change on g rate and a 1% positive change on the discounting factor.

8 PROPERTY, PLANT AND MACHINERY

Property, plant and machinery totalled Eur 56,064 thousand as at June 30, 2018 and included the following:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL TANGIBLE ASSETS
Historical cost at beginning of current period	**59,281**	**12,677**	**35,312**	**10,635**	**621**	**118,526**
Increases	97	462	1,014	485	439	**2,497**
Decreases	—	(153)	(9)	(293)	(95)	**(550)**
Transfers / Reclassifications	121	193	175	(54)	(424)	**11**
Exchange rate difference	—	2	(4)	32	—	**30**
Other variations	19	—	(19)	—	—	—
Historical cost at end of current period	**59,519**	**13,181**	**36,468**	**10,804**	**541**	**120,513**
Accumulated depreciation at beginning of current period	**(12,029)**	**(11,118)**	**(31,509)**	**(8,052)**	**—**	**(62,708)**
Increases	(592)	(227)	(760)	(690)	—	**(2,270)**
Decreases	—	157	9	186	—	**352**
Transfers / Reclassifications	(38)	—	146	54	—	**162**
Exchange rate difference	6	—	5	(19)	—	**(8)**
Other variations	—	6	19	(4)	—	**21**
Accumulated depreciation at end of current period	**(12,654)**	**(11,183)**	**(32,090)**	**(8,524)**	**—**	**(64,450)**
Net book value at end of current period	**46,865**	**1,999**	**4,379**	**2,280**	**541**	**56,064**

The value of **Land and Buildings** decreased compared to the previous year due to the amortization for the period. The increases are mainly due to the extraordinary maintenance works carried out on the building in Bovezzo owned by the Parent Company.

This item also includes what was incurred for the fixtures and furnishings of the Group showrooms and stores.

The increases in the **Plant and Machinery** item are related to capital expenditures made by the Subsidiary Ares S.r.l. (Eur 318 thousand) for the new Led production line, in addition to capital expenditures in new machineries and plants for production made mainly by the Parent Company and the subsidiaries Antares Iluminacion S.A.U for Eur 134 thousand.

The increases in **Industrial and commercial equipment** refers principally to new moulds for the development and the manufacture of products, purchased by the Parent Company in the amount

of Eur 445 thousand and by the subsidiaries Antares Iluminacion S.A.U. for Eur 744 thousand and Eur 12 thousand in the advance.

The increases in **Other assets** refer to purchases of furniture and furnishings, office machinery, vehicles and internal means of transport for handling and storage services, as well as to costs borne for the setting-up of the show-room in Milan.

9 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are broken down as shown in the table below:

	6/30/2018	12/31/2017
Non-current financial assets	645	623
TOTAL NON-CURRENT FINANCIAL ASSETS	**645**	**623**

The item mainly comprises the deposits on rentals paid by the Group companies.

10 OTHER NON-CURRENT ASSETS

The following is recorded under Other non-current assets:

	6/30/2018	12/31/2017
Receivable from Tax Authorities for IRAP refund	238	238
Other receivables from Tax Authorities	—	17
Receivables from others	423	384
TOTAL OTHER NON-CURRENT ASSETS	**662**	**639**

Tax credit from *Tax Authorities for IRAP reimbursement* includes the amounts already disclosed in previous years and related to the holding company Arco S.p.A., then merged into the Parent Company in 2015, and refers to a reimbursement claim submitted to the Italian Tax Authorities concerning the IRAP tax for previous years totalling Eur 238 thousand.

The item *Receivables from others* refers mainly to the Parent Company (in the amount of Eur 228 thousand) for patents renewal fee paid in advance.

11 INVENTORIES

Inventories are broken down in the following table:

	6/30/2018	12/31/2017
Raw materials and consumables	13,256	10,744
Raw materials and consumables impairment provision	(1,732)	(1,563)
Work in progress and semifinished products	11,748	10,498
Work in progress and semifinished products impairment provision	(1,691)	(1,565)
Finished products	12,234	11,043
Finished products impairment provision	(1,957)	(1,378)
Deposits	90	88
Goods in transit	1,498	974
TOTAL INVENTORIES	**33,445**	**28,841**

Inventories on hand are shown net of the provision for inventory impairment for Eur 5,380 thousand detailed as follows:

- Eur 1,763 thousand related to the Parent Company;
- Eur 2,329 thousand related to the subsidiary Antares Iluminacion S.A.U.;

- Eur 821 thousand related to the subsidiary Ares S.r.l.;
- Eur 467 thousand related to other Group companies.

The changes of the provision for inventory impairment are as follows:

	6/30/2018
Balance at the beginning of the period	4,506
Accruals	1,215
Utilization of provision	(341)
BALANCE AT THE END OF THE PERIOD	**5,380**

	6/30/2017
Balance at the beginning of the period	4,427
Accruals	1,232
Utilization of provision	(643)
BALANCE AT THE END OF THE PERIOD	**5,016**

12 TRADE RECEIVABLES

As at June 30, 2018 trade receivables totalled Eur 33,551 thousand (Eur 35,188 thousand as at December 31, 2017), net of the bad debt provision which amounts to Eur 1,794 thousand.

The following table shows trade receivables by geographical area, including the apportionment of the provision for doubtful debts by geographical area:

	6/30/2018	12/31/2017
Italy	11,221	10,563
EEC	14,026	17,868
Non-EEC	8,303	6,757
TOTAL TRADE RECEIVABLES	**33,551**	**35,188**

The changes of the provision for doubtful debts is summarised below:

	6/30/2018
Balance at the beginning of the period	1,645
Allowance	145
Utilization	(2)
Exchange rate difference	7
BALANCE AT THE END OF THE PERIOD	**1,794**

	6/30/2017
Balance at the beginning of the period	1,563
Allowance	253
Utilization	(36)
Exchange rate difference	(18)
BALANCE AT THE END OF THE PERIOD	**1,762**

Please see below the break-down of trade receivables by maturity date, which does not include the provision for doubtful debts for Eur 1,794 thousand and the item Receivables in litigation for Eur 532 thousand:

	Total	Due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue over 120
Italy	11,593	10,605	448	128	73	96	243
EEC	14,649	12,204	1,499	193	204	146	403
Non-EEC	8,571	6,083	1,933	358	57	26	115
TOTAL TRADE RECEIVABLES	**34,813**	**28,892**	**3,880**	**679**	**334**	**267**	**761**

13 TAX ASSETS AND OTHER CURRENT ASSETS

13.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

Current tax credit and due from tax authorities are as follows:

	6/30/2018	12/31/2017
Receivables for tax advances paid	548	930
VAT receivables	1,964	2,441
Withholding tax receivables	9	10
Other tax receivables	17	17
TOTAL TAX CREDIT AND DUE FROM TAX AUTHORITIES	**2,538**	**3,397**

Receivables for tax advances paid include the positions of the various companies with respect to local Tax Authorities for the payment of taxes. The amount, totalling Eur 548 thousand, refers mainly to the subsidiary Flos Usa Inc. for Eur 437 thousand.

The item *VAT receivables* includes VAT receivables originated in the current period or in previous years. The value, totalling Eur 1,964 thousand, is mainly attributable to the subsidiary Antares Iluminacion S.A.U. for Eur 1,552 thousand.

The item *Other tax receivables* for Eur 17 thousand represents the last short-term portion of a tax credit 2016 to be used in the next 12 months by the Parent Company.

13.2 OTHER ASSETS

Other assets are broken down as shown in the table below:

	6/30/2018	12/31/2017
Other current assets	1,475	1,866
TOTAL OTHER CURRENT ASSETS	**1,475**	**1,866**

This item mainly includes:

- payment in advance to suppliers made by Group companies for Eur 302 thousand;
- payment in advance for maintenance expenses, utilisation of software and services made by Group companies for an amount of Eur 805 thousand;
- payment in advance for insurance policies for an amount of Eur 117 thousand.

14 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents as at June 30, 2018 came to a total of Eur 28,171 thousand and are broken down as follows:

	6/30/2018	12/31/2017
Bank and post office deposits	27,912	29,448
Cheques	5	18
Cash on hand	81	44
Total current cash and cash equivalents	**27,998**	**29,510**
Restricted cash and cash equivalents	**173**	**177**
TOTAL CASH AND CASH EQUIVALENTS AND DEPOSITS	**28,171**	**29,687**

For a detailed breakdown of the Group's cash and cash equivalents, please refer to Interim Condensed Consolidated Cash Flow statement.

15 ASSETS HELD FOR DISPOSAL

Assets held for disposal, which came to Eur 260 thousand, refer to a real estate property of the subsidiary Ares S.r.l. sold on July 2018; the amount is aligned with its market value.

16 SHAREHOLDERS' EQUITY

The Shareholders' equity (Group and minority interest) totalled 440,357 thousand (Eur 430,366 thousand as at December 31, 2017).

The various items of the Group Shareholders' Equity are described hereunder.

16.1 SHARE CAPITAL

Share capital, fully subscribed and paid up, amounted to 1,875 thousand as at the period-end date.

It consists of 13,377 thousand ordinary shares and 354 thousand shares of Category B without nominal value, and it includes the following:

- as for Eur 232 thousand through payments and subscriptions by shareholders;
- as for Eur 433 thousand through conversion of revaluation reserves;
- as for Eur 1,209 thousand through conversion of extraordinary reserves already entirely subjected to tax.

The Parent Company's shares are encumbered by a pledge in favour of Unicredit Bank AG, Milan Branch and Unicredit S.p.A..

16.2 OTHER RESERVES

Other reserves as at June 30, 2018 totalled Eur 422,261 thousand (Eur 400,020 thousand as at December 31, 2017) and are broken down as follows:

	6/30/2018
Consolidation reserve	13,878
Currency conversion difference	(137)
Sundry reserves	2
Share premium reserve	20,000
Revaluation reserve	16,862
Legal reserve	500
Statutory reserve	116,074
Merger reserve	255,084
TOTAL OTHER RESERVES	**422,261**

16.3 RESERVE FOR ACTUARIAL GAINS AND LOSSES

The Reserve for actuarial gains and losses refers to the effect of discounting the employee severance indemnities (Eur 220 thousand negative as at June 30, 2018) recorded in Shareholders' Equity via Other Comprehensive Income.

16.4 CASH FLOW HEDGE RESERVE

The Cash Flow Hedge reserve has been created in 2016 and reflects the fair value of derivatives hedging the loan entered into by the Parent Company. At the end of this period such reserved reported a negative balance of Eur 926 thousand, less the tax effect of Eur 293 thousand.

16.5 FTA RESERVE

The First Time Application (FTA) reserve, Eur 3,252 thousand, includes the adjustments implemented following the transition to the IAS/IFRS accounting standards.

17 DEFINED BENEFIT PLANS

Defined benefit plans relate to the Parent Company and its Italian subsidiaries.

Please note that the amount of the employee severance indemnities provision is net of the sums allocated to INPS Treasury Complementary Scheme.

Changes are described here below:

	6/30/2018
Balance at the beginning of the period	2,867
Allocation to provision	349
Utilization	(520)
BALANCE AT THE END OF THE PERIOD	**2,696**

	6/30/2017
Balance at the beginning of the period	2,810
Allocation to provision	304
Utilization	(140)
BALANCE AT THE END OF THE PERIOD	**2,974**

Measurement of the employee severance indemnities for IAS purposes follows the projected unit credit method for defined benefit obligations with the estimate of benefits accrued by employees.

The benefit plan is subjected to actuarial calculation as at December 2017; for the six month period ended June 30, 2018 Management has decided not to adapt the actuarial hypothesis as not significant.

Following the amendments introduced by Italian Law 296 of 27 December 2006 ("Finance Act 2007") and the subsequent implementation decrees and regulations, the quotas of employee severance indemnities accrued up until December 31, 2006 will continue to remain in the company as a defined benefits plan (obligation for the benefits accrued subject to actuarial valuation), while the quotas accruing starting from January 1, 2007 will be allocated to forms of complementary pension or transferred from the company to the treasury fund managed by INPS based upon the choices made by the employees during the year, emerging as defined contribution plans (no longer subject to actuarial valuation) starting from when the employee formalises his or her choice. Determination of the employee severance indemnities is therefore the result of applying an actuarial model based on several assumptions, both demographic and economic in nature.

The technical-economic bases used are shown in the following table, in line with 2017:

	2017
Annual discounting rate	0.88%
Annual inflation rate	1.50%
Annual employee severance indemnity increase rate	2.63%

Please particularly note that the annual discount rate used to determine the current value of the obligation was taken, consistent with par. 83 of IAS 19, from the Iboxx Corporate AA index recorded on the valuation date. For this purpose, the yield having a duration comparable to the duration of the collective of the Company being valued was chosen.

In line with the provisions of IAS 19, the additional sensitivity information required for the defined benefit plans, in line with 2017, is provided below:

	2017
Inflation rate +0.25%	2,861,981
Inflation rate -0.25%	2,873,699
Discounting rate +0.25%	2,879,747
Discounting rate -0.25%	2,855,575
Turnover rate +1%	2,848,328
Turnover rate -1%	2,887,415

18 PROVISIONS FOR RISKS AND OTHER CHARGES

The Provisions for risks and other charges, amounting to Eur 4,314 thousand, include the following:

- **Provisions for pensions and similar obligations**, amounting to Eur 1,352 thousand;
- **Other provisions**, amounting to Eur 2,962 thousand.

Changes are illustrated hereunder:

18.1 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	6/30/2018
Balance at the beginning of the period	1,210
Allocation to provision	144
Utilization	(2)
BALANCE AT THE END OF THE PERIOD	**1,352**

	6/30/2017
Balance at the beginning of the period	1,112
Allocation to provision	53
Utilization	(53)
BALANCE AT THE END OF THE PERIOD	**1,112**

As at June 30, 2018, the Provision for pensions and similar obligations, Eur 1,352 thousand, comprised the amount for agents' termination indemnity accrued in compliance with collective labour agreements applicable to agents presently in force. The amount reflects a prudent acknowledgement of the risk related to termination of agent mandates in the instances envisaged by law.

The Provision for pensions and similar obligations is subject to actuarial calculation as at December 31, 2017; for the six months ended at June 30, 2018 the Management has decided not to adapt the actuarial hypothesis as not significant.

18.2 OTHER PROVISIONS FOR RISKS AND OTHER CHARGES

	6/30/2018
Balance at the beginning of the period	2,458
Allocation to provision	501
Exchange rate difference	3
BALANCE AT THE END OF THE PERIOD	**2,962**

	6/30/2017
Balance at the beginning of the period	1,872
Allocation to provision	515
BALANCE AT THE END OF THE PERIOD	**2,387**

The item Other provisions as at June 30, 2018, totalling Eur 2,962 thousand, includes the following:

- a *Provision for Product Warranties*, equal to Eur 2,569 thousand, to cover the request for warranty extensions on LED products. The provision is related to:
  - the Parent Company for Eur 700 thousand;
  - the subsidiary Antares Iluminacion S.A.U. for Eur 1,148 thousand;
  - the subsidiary Light Contract S.r.l. for Eur 350 thousand;
  - the subsidiary Ares S.r.l. for Eur 285 thousand;
  - the subsidiary Flos Usa Inc. for Eur 86 thousand.

  The Group accounted product warranties under IAS 37.

- a *Provision for General Liabilities* for Eur 394 thousand, allocated to cover possible liabilities due to legal disputes, related to:
  - the Parent Company for Eur 141 thousand;
  - the subsidiary Ares S.r.l. for Eur 203 thousand;
  - the subsidiary Flos Benelux NV for Eur 50 thousands.

19 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

	6/30/2018	12/31/2017
Current financial liabilities:		
Senior Loan Facility—current portion	753	707
Due to other lenders	1,265	846
Deferred price for Lukas Lighting acquisition	460	447
Deferred price for Flos Projets acquisition	133	133
Total current financial liabilities	**2,611**	**2,133**
Non current financial liabilities:		
Senior Loan Facility—non-current portion	119,664	130,824
Due to other lenders	4,522	4,845
Deferred price for Lukas Lighting acquisition (discounted)	796	724
Deferred price for Flos Projets acquisition	133	267
Liabilities for IRS	1,401	1,419
Total non-current financial liabilities	**126,516**	**138,079**
TOTAL FINANCIAL LIABILITIES	**129,127**	**140,212**

The *Senior Loan* payables refer to the *Senior Facility Agreement* and the *Additional Facility*, related to the Parent Company. The amount disclosed under the non-current quota is net of capitalised loan costs, amortised over the duration of the loan itself for Eur 3,398 thousand.

For the six month period ending June 30, 2018 the Group voluntary prepaid Eur 12 million. As at June 30, 2018, the utilization of available credit lines amounted to Eur 123 million out of a total line of Eur 235 million.

The reconciliation of the utilisation of *Senior Loan* credit lines is shown hereunder.

	6/30/2018	12/31/2017
Senior Loan Facility—current portion	753	707
Senior Loan Facility—non-current portion	119,664	130,824
Amortised cost	3,398	4,237
Accrued interest	(753)	(707)
Utilisation of credit lines	**123,062**	**135,061**

The interest rates applied to the lines of credit are based on 3-month Euribor, to which a 4.25% spread is applied for Facility B and the Additional Facility.

The lines have a lifetime until December 2021.

Note that the *Senior Loan Facility* is subject to a quarterly check of the financial covenants that were fully met as at June 30, 2018. In particular:

- Interest cover ratio (EBITDA/Net cash interest expenses)

- Fixed Charge cover ratio (Cash flow/Debt service)
- Leverage ratio (Net debt/EBITDA)

The item *Due to other lenders* refers mainly to a lending agreement between the subsidiary Antares Ilumination S.A.U. and ING Leasing of Madrid (ES) as a consequence of the purchase under capital lease of the industrial building and of the related take-over of the underlying lease. The commitment is equal to Eur 5,159 thousand (Eur 637 thousand within 12 months and Eur 4,522 after 12 months) and will terminate in 2022.

The *deferred price* for the acquisition of Lukas Lighting Inc., totalling Eur 1,256 thousand as at June 30, 2018, was discounted to the rate of 4.56%.

Liabilities for IRS, equal to Eur 1,401 thousand, related to the negative *MTM* of derivatives as described in Note 38.

20 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are broken down as follows:

	6/30/2018	12/31/2017
Other liabilities	26	82
TOTAL OTHER NON-CURRENT LIABILITIES	**26**	**82**

The value refers to rental payables.

21 TRADE PAYABLES

Trade payables broken down by geographical area are shown below.

	6/30/2018	12/31/2017
Trade payables	35,247	33,650
TOTAL TRADE PAYABLES	**35,247**	**33,650**

The item includes:

- trade payables to suppliers, including allocations for invoices to be received, amounting to Eur 31,352 thousand;
- advance payments from customers, amounting to Eur 3,895 thousand.

22 TAX PAYABLES AND OTHER CURRENT LIABILITIES

This category includes amounts due:

- to tax authorities, amounting to Eur 2,523 thousand;
- to social security institutions, amounting to Eur 1,241 thousand;
- to personnel and others, amounting to Eur 7,898 thousand.

The above items are detailed in the following table.

22.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	6/30/2018	12/31/2017
Due to tax authorities for taxes	1,887	1,949
Due to tax authorities for VAT	457	516
Other taxes payable	179	214
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**2,523**	**2,680**

22.2 DUE TO SOCIAL SECURITY INSTITUTIONS

	6/30/2018	12/31/2017
Due to social security authorities	1,241	1,694
TOTAL DUE TO SOCIAL SECURITY INSTITUTIONS	**1,241**	**1,694**

22.3 DUE TO PERSONNEL AND OTHER PAYABLES

	6/30/2018	12/31/2017
Due to personnel	3,039	3,243
Due for accrued vacations	1,227	1,146
Employee tax payables	527	916
Due to board members	110	872
Liabilities for stock options	1,205	—
Due for customers bonuses and other payables	1,790	1,177
TOTAL DUE TO PERSONNEL AND OTHER PAYABLES	**7,898**	**7,355**

The item *Liabilities for stock options* includes the debt related to the estimated fair value as at June 30, 2018 of the incentive plan for Directors and Managers with strategic responsibilities for an amount of Eur 1,205 thousand. See Note 4.6.

23 REVENUES

Revenues, for the six-month period ended June 30, 2018 amounted to Eur 107,916 thousand and refer to the sale of products and services.

The following table shows the breakdown by geographical area:

	Half I, 2018	Half I, 2017
Italy	22,385	21,209
Europe	53,561	54,764
Outside Europe	31,970	29,070
TOTAL REVENUES	**107,916**	**105,043**

24 OTHER REVENUES AND INCOME

Other Revenues and Income are broken down as follows:

	Half I, 2018	Half I, 2017
Rents	48	48
Sundry revenues	1,441	1,294
Capital gains from disposal of assets	7	29
Provisions release	9	20
TOTAL OTHER REVENUES AND INCOMES	**1,506**	**1,391**

The item *Sundry revenues* mainly includes revenues related to cost recharges and insurance reimbursements.

25 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

Purchases of raw materials and variation in inventories is broken down in the following table:

	Half I, 2018	Half I, 2017
Purchase of raw materials, work in progress, finished products	(34,026)	(35,397)
Purchase of promotion and advertising materials	(755)	(514)
Purchase of other miscellaneous material	(140)	(136)
Change in work in progress, semifinished and finished goods	427	3,082
Increases in assets for own work capitalised	11	32
Change in inventories of raw materials	2,409	376
TOTAL PURCHASES OF RAW MATERIALS AND CHANGE IN INVENTORIES	**(32,074)**	**(32,556)**

26 PERSONNEL COSTS

Personnel costs is broken down in the following table:

	Half I, 2018	Half I, 2017
Wages and salaries	(14,724)	(13,920)
Social security contributions	(3,106)	(2,718)
Employee severance indemnities and pensions	(355)	(312)
Other personnel costs	(363)	(168)
TOTAL PERSONNEL COSTS	**(18,548)**	**(17,118)**

The headcount of Group employees as at June 30, 2018 broken down by category, follows:

	Half I, 2018	2018 (Average)
Flos S.p.A.		
Executives	7	7
White-collar staff	108	106
Blue-collar staff	37	38
Total Flos S.p.A. employees	**152**	**151**
Subsidiaries		
Executives	9	9
White-collar staff	293	291
Blue-collar staff	151	155
Total employees of Subsidiaries	**453**	**455**
TOTAL GROUP EMPLOYEES	**605**	**606**

27 SERVICE COSTS

Service costs are broken down as follows:

	Half I, 2018	Half I, 2017
Subcontract work and services for production	(7,427)	(7,025)
Fees, royalties, advertising and communications	(7,824)	(7,683)
Transport and customs costs	(4,922)	(4,727)
Utilities, ancillary services, EDP fees, maintenance and repairs	(1,497)	(1,311)
Costs for technical, artistic, tax, legal and various advice	(2,326)	(2,099)
Remuerations for directors, statutory auditors and audit	(2,228)	(1,081)
Transfers and entertainment	(1,877)	(1,535)
Cost of training, subcontract personnel, banking and other miscellaneous services	(2,072)	(2,522)
Insurance, patents and trademarks, post and telegraphic	(1,108)	(1,103)
TOTAL SERVICES COSTS	**(31,281)**	**(29,086)**

The item *Remuerations for directors, statutory auditors and audit* includes the estimated fair value for Half I, 2018 of the incentive plan for Directors and Managers with strategic responsibilities for the amount of Eur 1,205 thousand. See Note 4.6.

28 PROVISIONS

Allocations to provisions Half I, 2018 refer to:

	Half I, 2018	Half I, 2017
Provisions for pension fund	(144)	(53)
Provisions for risks	(501)	(515)
TOTAL PROVISIONS	**(645)**	**(568)**

The item *Provisions for risks*:

- for Eur 426 thousand relates to the provision covering the extended warranty on LED Products in the Parent Company and the subsidiaries Antares Iluminacion S.A.U., Light Contract S.r.l., Ares S.r.l. and Flos Usa Inc.;
- for Eur 75 thousand relates to possible liabilities of the Parent Company.

29 OTHER COSTS AND CHARGES

Other costs and charges is broken down as follows:

	Half I, 2018	Half I, 2017
Property rents	(1,380)	(1,416)
Rental and leasing fees	(609)	(543)
Tax and other fees	(278)	(270)
Membership and subscriptions included Internet	(107)	(85)
Gifts and charity	(103)	(148)
Purchase of stationery and consumables for office	(163)	(198)
Miscellaneous and general expenses	(120)	(111)
Other operating costs	(38)	(1)
TOTAL OTHER COSTS AND CHARGES	**(2,799)**	**(2,773)**

30 AMORTISATION, DEPRECIATION AND IMPAIRMENT

The item Amortisation, depreciation and impairment is broken down in the following table:

	Half I, 2018	Half I, 2017
Amortisation of intangible fixed assets	(1,805)	(1,293)
Depreciation of tangible fixed assets	(2,270)	(2,649)
Impairment of fixed assets	(71)	(105)
Impairment of receivables	(145)	(253)
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT	**(4,290)**	**(4,300)**

31 FINANCIAL INCOME

The item Financial income is broken down as follows:

	Half I, 2018	Half I, 2017
Bank and post office interests	2	5
Incomes from fair value derivates	10	113
Other financial incomes	11	26
Exchange gains (realised and unrealised)	454	121
TOTAL FINANCIAL INCOMES	**477**	**265**

32 FINANCIAL CHARGES

The item Financial charges is broken down in the following table:

	Half I, 2018	Half I, 2017
Interests on Senior Loan Facility	(2,901)	(3,470)
Interest on amortized cost of ancillary Senior Loan Facility charges	(839)	(1,204)
Ancillary costs related to Senior Loan Facility	(234)	(429)
Financial charges due to the swap differential	(715)	(447)
Interests on bank accounts	(1)	(1)
Exchange losses (realised and unrealised)	(663)	(718)
Other financial charges	(40)	(59)
TOTAL FINANCIAL CHARGES	**(5,393)**	**(6,329)**

Interest expenses on the *Senior Loan Facility* refer to costs paid and/or accrued in relation to the *Senior Facility Agreement* and the *Additional Facility*; for more details please see Note 19.

33 INCOME TAXES

The tax detail follows:

	Half I, 2018	Half I, 2017
Current income tax (expense)	(4,094)	(4,325)
Deferred income tax (expense)/recovery	392	(8)
TOTAL INCOME TAXES	**(3,702)**	**(4,333)**

The tax burden for Half I, 2018, including adjustments on current, deferred or prepaid taxes recognised during the period on allocations recorded at the end of previous year, totalled Eur 3,702 thousand (Eur 4,333 thousand Half I, 2017), of which current income taxes, amounting to Eur 4,094 thousand, and deferred taxes generating a positive effect of Eur 392 thousand.

The tax burden for current taxes was determined based on the taxable income arising from the profit for the year, bearing in mind the use of any prior tax losses and applying the nominal rates in effect in each country.

It should be noted that Spanish Tax Authorities are assessing the fiscal years from 2012 to 2014 at the subsidiary Antares Iluminacion S.A.U. The local Management has no reasons to deem that these assessments would entail significant future liabilities for the company.

Furthermore, the USA Tax Authorities are assessing the fiscal year 2016 on Federal Tax Return at the subsidiary Flos USA Inc. also in this case, the local Management does not expect significant future liabilities for the company.

34 THEORETICAL TAX RATE

The reconciliation between the actual tax cost included in the consolidated financial statements at June 30, 2018 and the theoretical charge calculated on the basis of current Italian tax rate is the following:

	Half I, 2018		Half I, 2017	
	AMOUNT	TAX RATE	AMOUNT	TAX RATE
Pre tax income	**14,868**		**13,969**	
Theoretical taxes	3,568	24.00%	3,353	24.00%
Increased tax adjustment	564	3.79%	663	4.00%
Decreased tax adjustment	(1,079)	-7.26%	(611)	-4.00%
Differences vs. Italian tax rate	166	1.12%	288	2.00%
Previous years taxes	(102)	-0.69%	26	0.00%
IRAP	584	3.93%	614	4.00%
Actual taxes recognised in the Profit & Loss	**3,702**	**24.90%**	**4,333**	**31.00%**

35 DISCLOSURE ON RELATED PARTIES

It is worth noting that sales and purchases with related parties are carried out with the same terms and conditions as those prevailing in free market transactions. The open balances at period-end are not insured, do not generate interest and settlement is spot. Guarantees for receivables and payables contracted with related parties were neither given nor received. The Group did not record any impairment for receivables contracted with related parties Half I, 2018.

This valuation is made every period, on every reporting date, by examining the financial position of the related party and the market in which the related party operates.

36 IMPORTANT EVENTS OCCURRING AFTER PERIOD-END

Management has been made aware that on August 7, 2018, certain affiliates of private-equity firm Investindustrial, including the parent company of Flos S.p.A. (Luxury Design Holdings III S.à r.l.), and certain affiliates of private-equity firm Carlyle entered into an investment agreement setting forth various steps to be taken in connection with the acquisition of, among other companies, Flos S.p.A., by a newly incorporated company to be jointly indirectly controlled by Investindustrial and Carlyle. In addition, on September 11, 2018, the shareholders of Flos S.p.A. entered into a share purchase agreements for the sale of their respective shares to such newly incorporated company. The closing of the acquisition is subject to certain customary closing conditions and is currently expected to occur by the end of 2018 or shortly thereafter. The acquisition is part of a larger transaction whereby Carlyle and Investindustrial will put under joint control Flos S.p.A. and two other groups operating in the global design industry.

Following the signing of sale and purchase agreements concerning the sale or contribution of the entire corporate capital of the Company it is contemplated that some Directors and Managers

with strategic responsibilities will be assigned Eur 18.25 million (either as extraordinary bonuses or phantom stock options). Such amount is committed to be paid out at the closing of the transaction, which is expected to occur by the end of 2018 or the beginning of 2019.

37 FAIR VALUE MEASUREMENT

The hierarchy of the fair value measurement for Group liabilities as at December 31, 2017 and June 30, 2018 is shown in the following table.

Measurement of fair value through	Prices listed in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
Liabilities measured at fair value:				
12/31/2017				
Senior Loan	—	—	131,531	**131,531**
Liabilities for IRS	—	—	1,419	**1,419**
6/30/2018				
Senior Loan	—	—	120,417	**120,417**
Liabilities for IRS	—	—	1,401	**1,401**

There were no transfers between Level 1 and Level 2 during the period. The above table excludes those captions whereby the carrying amounts are reasonable approximations of fair values such as cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities.

38 FINANCIAL LIABILITIES

The following table shows the characteristics of the credit lines in place as at June 30, 2018.

CREDIT LINE	EXECUTION DATE	RATE APPLIED	OPENING AMOUNT	CURRENT PAYABLES AS AT 6/30/2018	NON-CURRENT PAYABLES AS AT 6/30/2018
Line A—Amortising	25-Nov-14	Euribor + 3.50%	45,000	—	—
Line B—Bullet	25-Nov-14	Euribor + 4.25%	120,000	—	93,849
Revolving line	25-Nov-14	Euribor + 3.50%	20,000	—	—
Additional Facility line	22-Jun-15	Euribor + 4.25%	30,000	—	29,212
Accrued liability				753	—
			215,000	753	123,062

The balance of Eur 123,062 thousand is gross of the amortised cost of Eur 3,398 thousand.

The Mark to Market of the two derivative financial instruments in place as at June 30, 2018 is summarised below:

SUBSCRIPTION DATE	MATURITY DATE	CURRENCY	NOTIONAL	MARK TO MARKET AS AT 6/30/2018
16-Oct-15	2-Dec-21	EUR	30,000	(465)
6-Mar-2015	2-Dec-21	EUR	80,000	(1,073)

39 FAIR VALUE

The following table shows the comparison, by single class, between book value and fair value of financial instruments owned by the Group.

	BOOK VALUE 6/30/2018	FAIR VALUE 6/30/2018	BOOK VALUE 12/31/2017	FAIR VALUE 12/31/2017
Financial liabilities:				
Senior Loan	120,417	120,417	131,531	131,531
Liabilities for IRS	1,401	1,401	1,419	1,419
TOTAL FINANCIAL LIABILITIES	**121,818**	**121,818**	**132,950**	**132,950**

Management verified that the fair value of the cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the carrying value due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is shown at the amount for which the instrument might be exchanged in a current transaction between willing parties rather than in a forced sale or a liquidation. The following methods and assumptions were used to estimate the fair value:

- Long-term receivables and loans, both fixed rate and variable rate, are measured by the Company based on parameters such as interest rates, specific risk factors for each country, individual creditworthiness of each customer and the characteristic risk of the financial project. Based on this measurement, the provisions for the losses expected on these receivables are recorded in accounting.

- The fair value of listed securities and bonds is based on the price listed on the date of the financial statements. The fair value of the unlisted instruments, such as bank loans or other financial liabilities, obligations arising from financial leasing or as other non-current financial liabilities, is estimated through the future cash flows discounted applying the current rates available for liabilities with similar terms, such as credit risk and the remaining deadlines. In addition to being sensitive to reasonably possible changes in the expected cash flows or the discount rate, the fair value of the instruments representative of capital is also sensitive to reasonably possible changes in growth rates. The measurement requires Management to use unobservable input data, illustrated above. Management regularly defines a range of reasonably possible alternatives for these significant unobservable input data and determines their impact on the total fair value.

  The fair value of the unlisted ordinary shares was estimated using the discounted cash flow model. The measurement requires Management to make certain assumptions regarding the model's inputs, including expected cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the interval can be reasonably checked and they are used in Management's estimates of the fair value for these unlisted investments.

  The fair value of the financial assets available for sale is taken from the prices listed by the market in the active markets, if available.

- The Company executes derivative financial instruments with different counterparties, which are mostly financial institutes with an assigned credit rating. The derivatives measured using valuation techniques with observable market data consist of swaps on interest rates. The models consider different inputs, including the counterparty's credit quality and the forward rates. As at December 31, 2017, the Mark-to-Market value of the derivative assets was shown net of an adjustment associated with recognition of the default risk of the counterparty in the derivative contract.

40 RELATIONS WITH RELATED PARTIES

Bullet 3 "CONSOLIDATION PRINCIPLES" provides information about the Group's structure, including details of the subsidiaries and the holding company.

As at June 30, 2018, the only related parties are identified by the administrators of the entity. Please refer to Note 27 for the amounts paid to Directors and to Note 36 for the amounts involved in the incentive plan.

The costs relating to the fees of the company bodies Half I, 2018 are shown below:

	Half I, 2018
Board of Directors (including contributions)	837
Board of Statutory Auditors and Supervisory Boards	107
Audit firm	79
TOTAL REMUNERATIONS	**1,023**

41 SEASONALITY OF OPERATIONS

Despite the Flos business is not characterized by a marked seasonality, sales and operating profit are generally higher in the second half-year benefitting of the positive outcome of the main sector fairs occurring in the first part of the year.

These Interim Condensed Consolidated Financial Statements, comprising the Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Profit/Loss, Interim Condensed Consolidated Statement of the Other Comprehensive Income, Interim Condensed Consolidated Statement of changes in Shareholders' Equity, Interim Condensed Consolidated Cash Flow Statement and Explanatory Notes, present a true and fair view of the financial position, results of operations for the period and correspond to the book entries.

Bovezzo, October 22nd, 2018

FLOS S.P.A.
For the Board of Directors
The Chairman
Vitaliano Borromeo Arese

FLOS S.p.A.

Registered Offices: Via Angelo Faini 2 – 25073 Bovezzo (BS), Italy
Company Register of BRESCIA—Tax code and registration No. 00290820174
Registered at Brescia R.E.A. under no. 144607—Reg. AEE no. IT08020000000861
Fully paid-up share Capital € 1,875,000.00
VAT no. 00290820174

Consolidated Financial Statements as of and for the year ended 31 December 2017

Consolidated statement of Financial Position—Assets—as at 31 December 2017

(amounts in thousands of Euro)	Notes	2017	2016
NON-CURRENT ASSETS			
Intangible fixed assets:			
—Goodwill	9	354,866	353,766
—Other intangible fixed assets	10	148,379	148,273
Property, plant and machinery	11	55,819	57,369
Deferred tax assets	37.1	4,035	4,042
Non-current financial assets	12	623	594
Other non-current assets	13	639	623
TOTAL NON-CURRENT ASSETS		**564,362**	**564,667**
CURRENT ASSETS			
Inventories	14	28,841	28,470
Trade receivables	15	35,188	33,922
Tax assets and other current assets:			
—Tax credit and due from tax authorities	16.1	3,397	4,369
—Other assets	16.2	1,866	1,397
Current financial assets		50	45
Cash and cash equivalents and deposits	17	29,687	30,807
TOTAL CURRENT ASSETS		**99,030**	**99,010**
Assets held for disposal	18	331	342
TOTAL ASSETS		**663,723**	**664,018**

Consolidated statement of Financial Position—Liabilities—as at 31 December 2017

(amounts in thousands of Euro)	Note	2017	2016
SHAREHOLDERS' EQUITY			
Share Capital	19.1	1,875	1,875
Other reserves	19.2	400,020	377,583
Reserve for actuarial gains and losses	19.3	(218)	(232)
Cash Flow Hedge reserve	19.4	(975)	(1,462)
FTA reserve	19.5	3,252	3,251
Carried forward Profit/Losses		—	—
Profit/(Loss) for the year		22,046	22,623
TOTAL GROUP SHAREHOLDERS' EQUITY		**425,999**	**403,637**
Minority shareholders' equity		2,875	3,585
Profit/(loss) attributable to minority interest		1,491	1,832
TOTAL SHAREHOLDERS' EQUITY	**19**	**430,366**	**409,055**
NON-CURRENT LIABILITIES			
Defined benefit plans	20	2,867	2,810
Provisions for contingencies and other charges	21	3,668	2,984
Non-current financial liabilities	22	138,079	160,975
Deferred taxes	37.2	41,150	41,132
Other non-current liabilities	23	82	128
TOTAL NON-CURRENT LIABILITIES		**185,846**	**208,029**
CURRENT LIABILITIES			
Current financial liabilities	22	2,133	7,613
Trade payables	24	33,650	27,786
Tax payables and other current liabilities:	25		
—Tax payables and due to tax authorities	25.1	2,680	2,162
—Due to social security institutions	25.2	1,694	1,306
—Due to personnel and other payables	25.3	7,355	8,068
TOTAL CURRENT LIABILITIES		**47,512**	**46,935**
TOTAL LIABILITIES		**233,357**	**254,963**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**663,723**	**664,018**

Consolidated statement of Profit/Loss of the year as at 31 December 2017

(amounts in thousands of Euro)	Notes	2017	2016
Revenues	26	212,562	206,844
Other revenues and income	27	3,807	2,959
TOTAL REVENUES		**216,369**	**209,802**
Purchases of raw materials and variation in inventories	28	(63,875)	(62,613)
Personnel costs	29	(35,507)	(33,089)
Service costs	30	(56,694)	(54,662)
Provisions	31	(1,078)	(1,460)
Other costs and charges	32	(5,619)	(5,474)
TOTAL COSTS		**(162,772)**	**(157,298)**
Amortisation, depreciation and write-downs	33	(8,801)	(8,106)
EBIT		**44,796**	**44,398**
Financial income	34	604	880
Financial charges	35	(12,864)	(14,074)
PROFIT/(LOSS) BEFORE TAX COMING FROM CONTINUING OPERATIONS		**32,536**	**31,204**
Income taxes	36	(8,999)	(6,749)
NET PROFIT/(LOSS) COMING FROM CONTINUING OPERATIONS		**23,537**	**24,455**
PROFIT/(LOSS) FOR THE YEAR		**23,537**	**24,455**
Profit/(Loss) for the year, pertaining to minority interest		1,491	1,832
Profit/(Loss) for the year, pertaining to the Group		22,046	22,623

Consolidated statement of the Other Comprehensive Income (Expense) (OCI) as at 31 December 2017

(amounts in thousands of Euro)	Notes	2017	2016
PROFIT FOR THE YEAR		**23,537**	**24,455**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the year:			
Exchange difference on translating foreign financial statements		(1,163)	96
(Loss)/Net profit from cash flow hedge	19.4	487	(1,462)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RESTATED IN THE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		**(676)**	**(1,367)**
Total other comprehensive income (expense) that may not be restated in the profit/(loss) for the year, net of tax:			
(Profit/(Loss) from revaluation on defined benefit plans	20	14	(68)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		**14**	**(68)**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(662)**	**(1,435)**
TOTAL COMPREHENSIVE PROFIT, NET OF TAX		**22,875**	**23,020**
Profit for the year, pertaining to the Group		21,384	21,188
Profit for the year, pertaining to minority interest		1,491	1,832

Consolidated statement of changes in Shareholders' Equity as at 31 December 2017

	2017									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserves	Employee severance indemnity discounting reserve	FTA reserve	Cash flow hedge reserve	Other reserves	Profit for the year
Balance at beginning of year	**1,875**	**20,000**	**16,862**	**500**	**68,364**	**(232)**	**3,251**	**(1,462)**	**271,857**	**22,623**
Allocation of earnings from previous year					**25,861**				**(3,238)**	**(22,623)**
Profit/(Loss) for the year										22,046
Other income (expense)						14		487	(1,163)	
Total comprehensive profit for the year	**—**	**—**	**—**	**—**	**—**	**14**	**—**	**487**	**(1,163)**	**22,046**
Dividends for the year										
Purchase of minority interests									977	
Total changes for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**977**	**—**
Balance at year end	**1,875**	**20,000**	**16,862**	**500**	**94,225**	**(218)**	**3,252**	**(975)**	**268,433**	**22,046**

Consolidated statement of changes in Shareholders' Equity as at 31 December 2016

	2016									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserves	Employee severance indemnity discounting reserve	FTA reserve	Cash flow hedge reserve	Other reserves	Profit for the year
Balance at beginning of year	**1,875**	**20,000**	**16,862**	**500**	**51,350**	**(164)**	**3,251**	**—**	**268,730**	**19,958**
Allocation of earnings from previous year					**17,014**				**2,944**	**(19,958)**
Profit/(Loss) for the year										22,623
Other income (expense)						(68)		(1,462)	96	
Total comprehensive profit for the year	**—**	**—**	**—**	**—**	**—**	**(68)**	**—**	**(1,462)**	**96**	**22,623**
Dividends for the year										
Purchase of minority interests									89	
Other changes										
Total changes for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**89**	**—**
Balance at year end	**1,875**	**20,000**	**16,862**	**500**	**68,364**	**(232)**	**3,251**	**(1,462)**	**271,857**	**22,623**

Consolidated Cash Flow statement

	Notes	2017	2016
PROFIT FROM OPERATIONS AFTER TAX		**23,537**	**24,455**
Depreciation and impairment of tangible fixed assets	33	4,834	4,482
Amortisation and impairment of intangible fixed assets	33	3,501	3,121
Financial income	34	(603)	(880)
Financial charges	35	12,864	14,074
Income taxes	36	8,999	6,749
Current assets devaluation	33	466	
Net change in employee severance indemnities and pension funds	20	71	(114)
Net change in provisions for contingencies and other charges	21	684	1,014
Net change in deferred tax assets and liabilities	37	(106)	(883)
(Increase)/decrease of inventories	14	(188)	(2,571)
(Increase)/decrease of trade receivables	15	(819)	(1,694)
(Increase)/decrease of other non-financial assets	13/16	701	(610)
Increase/(decrease) of trade payables	24	5,343	292
Increase/(decrease) of tax payables	25	(8,481)	(6,835)
Increase/(decrease) of other non-financial liabilities	25	(1,074)	325
NET CASH FLOWS FROM OPERATIONS		**26,192**	**16,469**
Purchases of tangible fixed assets included disposal	11	(4,867)	(4,418)
Purchases of intangible fixed assets, net	10	(1,792)	(2,679)
Acquisition of subsidiaries, net of cash acquired		(400)	
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(7,059)**	**(7,097)**
(Increase)/decrease of financial receivables	12/17	1,056	967
Increase/(decrease) of financial payables	22	(42,116)	(40,537)
Dividends paid to minority interests		(1,565)	(1,566)
Change in conversion reserve		(1,163)	95
Other changes in shareholders' equity		—	118
CASH FLOWS FROM FINANCING ACTIVITIES		**(43,789)**	**(40,923)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,120)**	**(7,096)**
Net cash and cash equivalents at beginning of the period		30,807	37,903
Net cash and cash equivalents at end of the period		29,687	30,807

Explanatory Notes to the Consolidated Financial Statements

1 COMPANY INFORMATION

On 29 March 2018, the Board of Directors approved the Consolidated Financial Statements of Flos S.p.A. (hereinafter also "***FLOS***" or the "***Parent Company***") for the financial year ended 31 December 2017. FLOS is a joint-stock company, established and domiciled in Italy, with registered office in Bovezzo (BS), via Angelo Faini no. 2.

FLOS was incorporated in Merano, Italy, in 1962. FLOS is the leading brand in the high-end design and lighting sector. Ever since it was established, the Company has been universally recognised for the excellence of its design achieved through exclusive collaboration agreements with the best architects of the last 50 years.

Flos Group operates through four main business lines:

- the "*Design*" collection, which represents the historic core business of FLOS, developed and produced by the Parent Company in Bovezzo (BS);
- the "*Architectural*" collection, developed and produced by the subsidiary Antares Ilumination S.A.U., located in Valencia (Spain);
- the "*Custom*" collection, developed and produced by the italian subsidiary Light Contract S.r.l. in Collebeato (BS);
- the "*Outdoor*" collection, developed and produced by the italian subsidiary Ares S.r.l. in Bernareggio (MI).

1.1 IMPORTANT EVENTS OCCURRED DURING THE YEAR

No important events occurred during the year.

1.2 EXTRAORDINARY OPERATIONS

On 31 January 2017 Flos SpA has acquired a 10% interest in Light Contract Srl for an amount of € 557 thousands corresponding to the net book value; following this acquisition Flos SpA owns the 70% of Light Contract Srl.

On 3 May 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl.

On 29 December 2017 Flos SpA has acquired a 10% interest in Flos Scandinavia A/S for an amount of € 504 thousands corresponding to the net book value; following this acquisition Flos SpA owns the 65% of Flos Scandinavia A/S.

2 REPORTING STANDARDS

The consolidated financial statements of the Group were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared based on the historical cost, except for the recognition of derivative financial instruments and financial assets available for sale, which were recorded at fair value. The book value of the assets and liabilities, whose fair value is hedged and that would otherwise be recorded at amortised cost, is adjusted to take into account changes in fair value attributable to the hedged risks.

The consolidated financial statements are presented in Euro, and all amounts are expressed in thousands of Euro, unless otherwise specified.

The consolidated financial statements provide comparative information referring to the previous year.

3 CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of Flos S.p.A. and its subsidiaries as at 31 December 2017.

Control is obtained when the Group is exposed or is entitled to variable returns coming from its relationship with the investee entity and, at the same time, is able to affect these returns by exercising its power on said entity.

More specifically, the Group controls an investee if—and only if—the Group has:

- power over the investee entity (or has valid rights that give it the current ability to manage the significant activities of the investee entity);
- exposure or rights to variable returns coming from the relationship with the investee entity;
- the ability to exercise its power over the investee entity to affect the amount of its returns.

When the Group owns less than the majority of the voting rights (or similar rights), it has to consider all the significant events and circumstances in order to determine whether or not to control the investee entity, including:

- Contractual agreements with other owners of voting rights;
- Rights arising from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the events and circumstances indicate that there have been changes in one or more of the three significant elements defining control. The consolidation of a subsidiary starts when the Group obtains its control and ends when the Group loses that same control. The assets, liabilities, revenues and costs of the acquired or transferred subsidiary during the year are included in the comprehensive income statement starting from the date when the Group obtains control and stops when the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other comprehensive income (expense) are attributed to the shareholders of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. Whenever necessary, the financial statements of the subsidiaries are appropriately adjusted in order to ensure conformity with the accounting policies of the Group. All intercompany assets and liabilities, the shareholders' equity, revenues, costs and cash flows regarding transactions between Group entities are totally eliminated during consolidation.

The changes in the shareholdings in a subsidiary that do not entail loss of control are recorded under shareholders' equity.

If the Group loses the control of a subsidiary, it has to eliminate its assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recorded on the income statement. The shareholding kept, if any, has to be recognised at fair value.

As at 31 December 2017, the consolidation perimeter has changed compared to 31 December 2016. On 3 May 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl. This new acquired company has been consolidated since 1st April 2017, as considered not material the profit and loss relating to the period 1st April to 3rd May.

Specifically, the companies of the FLOS Group, included in the scope of consolidation as at 31 December 2017, are as follows:

NAME	Share Capital as at 31.12.2017	Shareholding as at 31.12.2017	Share Capital as at 31.12.2016	Shareholding as at 31.12.2016
Antares Iluminacion S.A.U.	401	100%	401	100%
Flos Illuminacion Shanghai Co. Ltd*	CNY 4,000	100%	CNY 4,000	100%
Antares Iluminacion Pte Ltd*	SGD 0,1	100%	SGD 0,1	100%
Ares S.r.l.	78	100%	78	100%
Flos Lighting Design (Beijing) Co. Ltd**	—	0%	CNY 4,003	100%
Flos Benelux NV	100	100%	100	100%
Flos B.V.	931	100%	570	100%
Euroformat S.r.l.	75	100%	75	100%
Flos GmbH	300	100%	300	100%
Flos Japan Co. Ltd	JPY 40,000	100%	JPY 40,000	100%
Light Contract S.r.l.	13	70%	13	60%
Flos Milano S.r.l	100	100%	100	100%
Flos Norge AS	NOK 1,500	55%	NOK 1,500	55%
Flos Roma S.r.l	65	100%	65	100%
Flos Sàrl	61	100%	61	100%
Flos Projets Sarl***	124	100%	—	0%
Flos Scandinavia A/S	DKK 1,429	65%	DKK 1,429	55%
Flos Sverige AB****	SEK 100	65%	SEK 100	55%
Flos Usa Inc.	USD 390	100%	USD 390	100%
Flos UK Ltd	GBP 136	100%	GBP 136	100%

* Note 1: The shareholding in Flos Illuminacion Shanghai Co. Ltd and Antares Iluminacion Pte Ltd (Singapore) is entirely owned by Antares Iluminacion S.A.U. (ES), therefore the indirect equity investment pertaining to the Group is 100%.

** Note 2: Flos Lighting Design (Beijing) Co. Ltd has been liquidated

*** Note 3: On 3 May 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl.

**** Note 4: The shareholding in Flos Sverige AB is held by Flos Scandinavia A/S. Consequently, the indirect equity investment pertaining to the Group is 65%.

4 SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded using the purchase method. The cost of an acquisition is determined as the sum of the transferred consideration, measured at fair value as at the date of acquisition, and of the amount of the minority interest in the acquired company. The Group decides whether to measure the minority interest in the acquired company at fair value or in proportion to the minority shareholding in the identifiable net assets of the acquired company for each business combination. The acquisition costs are paid during the year and classified as administrative costs.

When the Group acquires a business, it classifies or designates the acquired financial assets or the liabilities assumed in agreement with the contractual terms, the economic conditions and the other pertinent conditions in effect on the date of acquisition. This includes the audit, in order to determine if an embedded derivative has to be separated from the primary contract.

If the business combination is carried out in several steps, the previously held shareholding is taken back to the fair value at the date of acquisition and any resulting profit or loss is recorded on the income statement.

A potential consideration to pay is recorded by the purchaser at the fair value at the date of acquisition. The change in fair value of the potential consideration classified as asset or liability,

such as a financial instrument covered by *IAS 39—Financial instruments: recognition and measurement*, has to be recognised on the income statement or on the statement of the other comprehensive income (expense). In those cases in which the potential consideration does not fall within the scope of IAS 39, it is measured according to the appropriate IFRS. If the potential consideration is classified under shareholders' equity, its value is not recalculated and its subsequent payment is recorded in shareholders' equity.

Goodwill is initially recognised at the cost represented by the surplus of the whole of the consideration paid and the amount recorded for the minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the acquired net assets exceeds the whole of the consideration paid, the Group once again checks whether it has correctly identified all the acquired assets and all the assumed liabilities and reviews the procedures used to determine the amounts to be recorded at the date of acquisition. If the new evaluation again shows that the fair value of the net acquired assets is higher than the consideration, the difference (profit) is recorded on the income statement.

After the initial recognition, Goodwill is measured at cost net of the accumulated impairment. In order to test impairment, Goodwill acquired in a business combination is allocated, starting from the date of acquisition, to each cash generating unit of the Group for which benefits from the synergies of the combination are expected, regardless of the fact that other assets or liabilities of the acquired entity are assigned to these units.

If Goodwill has been allocated to a cash generating unit and the entity disposes of part of the assets of this unit, Goodwill associated with the assets disposed of is included in the book value of the asset when the profit or loss of the disposal is determined. The Goodwill associated with the asset disposed of is calculated on the basis of the values regarding the asset disposed of and of the part of the cash generating unit kept.

4.2 CURRENT/NON-CURRENT CLASSIFICATION

Assets and liabilities on the Group financial statements are classified according to the current/non-current criterion.

An asset is current when:

- it is assumed to be realised, or held for sale or consumption, in normal execution of the operational cycle;
- it is mainly held to be traded;
- it is assumed to be realised within twelve months from the date the financial year ends; or
- consists of cash and cash equivalents unless its trading or use has been prohibited for settling a liability for at least twelve months from the date the financial year ends.

All the other assets are classified as non-current.

A liability is current when:

- its settlement is expected during its normal operational cycle;
- it is mainly held to be traded;
- it has to be settled within twelve months from the date the financial year ends; or
- the entity has no unconditional right to defer settlement of the liability for at least twelve months from the date the financial year ends.

The Group classified all the other liabilities as non-current.

Assets and liabilities for prepaid and deferred taxes are classified as non-current assets and liabilities.

4.3 CONVERTING FINANCIAL STATEMENTS STATED IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

The rules for converting the financial statements of the subsidiaries stated in a currency other than the Euro are:

- assets and liabilities are converted using the exchange rates at the date of reference of the consolidated financial statements (31 December);
- costs and revenues are converted at the average exchange rate of the period;
- the reserve "Currency conversion difference" contains both the exchange rate differences generated by the conversion of the economic figures at a rate other than the end date rate and those generated by converting the opening shareholders' equities at an exchange rate other than the end date rate for the reporting period;
- Goodwill and adjustments coming from the fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the period end date exchange rate.

The exchange rates applied when converting asset and liability balances into a currency other than Euro as at 31 December 2017 and 31 December 2016, as well as the average rates for the period 1 January—31 December 2017 and 1 January—31 December 2016 are:

		2017		2016	
		EXCHANGE RATE – YEAR END	EXCHANGE RATE – YEAR END	EXCHANGE RATE – YEAR END	AVERAGE EXCHANGE RATE
CNY	China Renminbi	7.804	7.626	7.320	7.352
DKK	Danish Kroner	7.445	7.439	7.434	7.445
GBP	Pound Sterling	0.887	0.876	0.856	0.819
JPY	Japanese yen	135.010	126.655	123.400	120.197
NOK	Norwegian Kroner	9.840	9.329	9.086	9.291
SEK	Swedish Kroner	9.844	9.637	9.552	9.469
SGD	Singapore Dollars	1.602	1.558	1.523	1.528
USD	United States Dollar	1.199	1.129	1.054	1.107

4.4 MEASUREMENT OF FAIR VALUE

The Group measures the non-financial assets at fair value at every year end.

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market operators at the date of measurement.

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way.

Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Group uses measurement techniques that are adapted to the circumstances and for which there are sufficient data available for measuring the fair value while maximising the use of significant observable inputs and minimising the use of non-observable inputs.

All assets and liabilities, for which the fair value is measured or stated in the financial statements, are classified based on the fair value hierarchy, as described below:

- Level 1—The listed (not adjusted) prices in active markets for identical assets or liabilities to which the entity can gain access on the date of measurement;
- Level 2—Inputs other than the listed prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3—Measurement techniques for which the input data are not observable for the asset or liability.

The measurement of fair value is entirely classified in the same level of the fair value hierarchy in which the lowest hierarchy level input used for the measurement is classified.

For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether any transfers between the hierarchy levels have occurred and reviews the classification (based on the lowest level input, which is significant for the purpose of measuring the fair value in its entirety) at every year end.

The Group determines the classes of assets and liabilities based on the type, characteristics and risks of the asset or liability, and the hierarchy level of the fair value as described above, when disclosing information on the fair value.

4.5 RECOGNITION OF REVENUES

Revenues are recognised to the extent in which it is probable that the Group achieves the economic benefits and the relevant amount can be reliably determined, regardless of the date of collection. The revenues are measured at the fair value of the consideration received or to be received, taking into account the contractually defined terms of payment and leaving out taxes and duties. The Group has concluded that it is operating on its own behalf in all contracts of sale since it is the primary debtor, has discretionary power over pricing policy and is also exposed to inventory risk and credit risk.

The following specific recognition criteria must also be followed when recognising revenues:

4.5.1 SALE OF GOODS

The revenue is recognised when the company has transferred all significant risks and benefits connected with ownership of the good to the purchaser, which is usually the date the good is delivered.

The revenue is measured at the fair value of the consideration received or to receive, after returns and allowances, trade discounts and reductions of volume. The Group provides a two-year warranty on repair, in line with industry practices. A liability is recognised when the product has been sold. The Group does not give customers other warranties or maintenance contracts.

4.5.2 RENTS

Rents coming from investment property are recognised on a straight-line basis along the duration of the lease agreements in force on the reporting date, and are classified as revenues, taking their operational nature into account.

4.6 PAYROLL COSTS

4.6.1 MANAGEMENT INCENTIVE PLAN

On 29 March 2017 the Board of Directors of Flos SpA approved the Management incentive plan for Directors and Managers with strategic responsibilities.

The plan foresees the assignation of special shares by December 2024 for a total amount of Euro 18.25 million. At the exit of the majority shareholder of Flos, the beneficiaries will be entitled to receive a payment for the value of the assigned special shares, subject to the fact that such value is at least 2x the base value indicated in the Plan.

On 31 December 2017 75,237 special shares out of a total amount of 686,542 have been assigned and accepted. The estimated fair value of the Plan at 31 December 2017 is equal to Euro 58 thousand, not accounted for as considered not material.

Such estimate is based on the following assumptions:

- 100% probability that no beneficiary loses any right during the vesting period;
- 50% probability that the share value is at least 2x the base value at the exit;
- 50% probability the share value reach 2x the base value during the vesting period.

4.7 INCOME TAXES

4.7.1 CURRENT TAXES

Current tax assets and liabilities of the year are measured for the amount expected to recover from or pay to the tax authorities. The rates and tax regulations used to calculate the amount are those issued, or basically in effect, on the year-end date in the countries where the Group operates and generates its taxable income.

Current taxes regarding elements directly recorded in shareholders' equity are also recorded in shareholders' equity and not in the year's profit/(loss) statement. Management periodically assesses the position taken in the income tax return in those cases in which the tax laws are subject to interpretations and, where appropriate, allocates provisions.

As from the financial year ended 31 December 2016, the Parent Company FLOS adhered, for the IRES tax purpose, to the Italian tax consolidation regime as consolidating company, pursuant to Articles 117-129 of the Presidential Decree 917/86, together with the Italian subsidiaries Ares S.r.l., Light Contract S.r.l., Flos Milano S.r.l., Euroformat S.r.l. and Flos Roma S.r.l.. To this purpose, a special agreement was signed with each fiscally consolidated company to govern the tax balances transferred. The adhesion to the regime involves the calculation of one Group single taxable basis referred to the consolidating company. As a result, all equity items related to said tax were stated as intercompany relations and not under tax receivables/payables, as well as in the income statement under consolidation income and/or costs and not under item IRES tax.

4.7.2 DEFERRED TAXES

Deferred taxes are calculated by applying the liability method to the temporary differences between the asset and liability tax values and the corresponding financial statement values at the reporting date.

Deferred tax liabilities are recognised on all taxable temporary differences with the following exceptions:

- deferred tax liabilities originate from the initial recognition of goodwill or either an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;

- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be controlled, and it is probable it does not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences of unused tax credits and losses that can be carried forward to the extent it is probable that sufficient future taxable income will be available that can permit use of the deductible temporary differences and tax credits and losses carried forward, except the cases in which:

- deferred tax assets connected with the deductible temporary differences originate from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent it is probable that they will be reversed in the foreseeable future and that there is sufficient taxable income to permit recovery of these temporary differences.

The carrying amount of the deferred tax assets is reviewed every year-end date and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets not recognised are reviewed at every year-end and are recognised to the extent in which it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured based on the tax rates expected to be applied in the year in which these assets will be realised or these liabilities will be settled, considering the current rates and those enacted, or basically in force, as at the financial statement date.

Deferred taxes regarding elements recognised outside the income statement are also recognised outside the income statement, therefore in the shareholders' equity or in the comprehensive income statement, consistent with the element to which they refer.

Deferred tax assets and liabilities are offset where there is a legal right that permits offsetting current tax assets and liabilities, and the deferred taxes refer to the same taxpayer and to the same tax authority.

4.7.3 INDIRECT TAXES

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as the value-added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognised as part of the purchase cost of the asset or part of the cost recorded in the income statement;
- Trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to recover from or pay to the tax authority is included in the financial statements as a receivable or a liability.

4.8 ASSETS HELD FOR DISPOSAL

The Group classifies the non-current assets and the divested groups as held for distribution to the shareholders of the parent company if their book value will be mainly recovered with a sale transaction, instead of through their ongoing use. These non-current assets and divested interests, classified as held for sale, are measured at the book value or the fair value net of sale costs, whichever is less. Sale costs are the additional costs directly attributable to sale, not including financial charges and taxes.

The condition for classification as held for sale is considered met only when the sale is highly probable, and the divested asset or interest is available for immediate sale in its present conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.

The depreciation of property, plant and machinery and amortisation of the intangible fixed assets ceases when they are classified as available for sale.

The assets and liabilities classified as held for sale are presented separate under the current financial statement items.

A divested asset is classified as a discontinued operation if it is part of an entity that has been discontinued or is classified as held for sale, and:

- it represents an important independent branch of activity or a geographical area of activity,
- it is part of a single coordinated plan to discontinue an important independent branch of activity or a geographical area of activity,
- it is a subsidiary acquired only in order to be resold.

More information is provided in Note 18. All the other Explanatory Notes include amounts concerning continuing operations, unless otherwise specified.

4.9 PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are measured at purchase cost or production cost, net of the accumulated depreciation and any accumulated impairment. The cost includes all charges directly borne to prepare the assets for being used, and any disposal or removal costs that will be incurred as a result of contractual obligations that require the asset to be brought back to its original conditions. Any interest expense borne for the acquisition, production or construction of the property, plant and machinery is capitalised on the value of the relevant asset, until it is available for use.

The costs borne for routine and/or periodic maintenance and repairs are directly charged to the income statement for the year in which they are borne. The costs pertaining to expansion, modernisation or improvement of the structural elements owned or used by third parties are capitalised only within the limits in which they meet the requirements to be separately classified as an asset or a part of an asset applying the component approach criterion. Likewise, costs to replace identifiable components of complex goods are charged to asset in the financial statement and are depreciated based on their estimated useful life. The residual recognition value of the component replaced is charged to the income statement.

The recognition value of the property, plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the date when the asset is available and ready for use, depending on the estimated useful life. In particular, depreciation is booked starting from the year when the asset is available for use, or is potentially able to provide the economic benefits associated with it and are charged annually on a straight-line basis, with 50% reduction the first year, by using rates that allow the assets to be depreciated until the useful life is depleted or, for disposals, until the last month of use.

The annual depreciation rates representing the estimated useful life for tangible fixed asset categories are:

	DEPRECIATION RATE
Land and buildings:	
Buildings	3%
Commercial property	10%
Light buildings	10%
Plant and machinery:	
Automatic machinery	15.5%
General / Specific / Special equipment	10% – 15% – 30%
Industrial and commercial equipment:	
Moulds and equipment	25%
Furniture for showroom and fair	12%
Other assets:	
Furniture for office	12%
Office machines	20%
Vehicles and internal means of transport	20%
Cars	25%

The rates are in line with those applied in 2016.

The useful life of the tangible assets and the residual value are reviewed and updated, where applicable, at the end of each year.

If the depreciated asset consists of distinctly identifiable elements whose useful life significantly differs from that of the other parts making up the asset, depreciation is carried out separately for each of the parts forming the asset in application of the component approach principle.

The profits and losses arising from transfers or disposals of assets are calculated as the difference between the revenue from sale and the net book value of the asset disposed of or transferred and are charged to the income statement of the pertinent year.

Leasehold improvements are classified in tangible fixed assets in line with the nature of the cost borne. The depreciation period coincides with the residual useful life of the tangible fixed asset or the residual duration of the lease contract, whichever is the shortest.

Land is not depreciated.

4.9.1 LEASEHOLD ASSETS

Assets held by way of financial leasing contracts, through which the risks and benefits tied to the property are basically transferred to the Group, are recognised as tangible fixed assets at their current value or, if less, at the current value of the minimum payments due for the leasing. The corresponding amount due to the lessor is shown amongst the financial liabilities on the financial statements. The assets are depreciated applying the criterion and rates previously specified for tangible fixed assets, unless the duration of the leasing contract is less than the useful life represented by said rates and there is no reasonable certainty of the transfer of ownership of the leased asset upon natural expiration of the contract; in that case, the depreciation period will be represented by the duration of the leasing contract. The cost of the rental fee is broken down into its components: financial cost, booked to the income statement; and repayment of the capital, recognised as reduction of the financial liability.

The rentals in which the lessor basically retains the risks and benefits tied to ownership of the assets are classified as operational leases. Costs referring to operational leases are linearly recorded in the income statement along the duration of the leasing contract.

4.10 OTHER INTANGIBLE FIXED ASSETS

The other intangible fixed assets acquired separately are initially recognised at cost, while those acquired through business combination transactions are recognised at fair value as at the date of purchase. Intangible fixed assets are recognised at cost net of the accumulated amortisation and any accumulated impairment following the initial recognition. Intangible fixed assets produced in-house, except for development costs, are not capitalised, and are recognised on the income statement of the year in which they are incurred.

The useful life of the intangible fixed assets is evaluated as definite or indefinite.

Intangible fixed assets with definite useful life are amortised along their useful life and are tested for appropriateness of the value every time there are indications of a possible impairment. The amortisation period and amortisation method of an intangible fixed asset with definite useful life is reconsidered at least at the end of each year. The changes in the expected useful life or the methods with which the future economic benefits tied to the asset will be realised are found through the change of the period or of the amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation quotas of the intangible fixed assets with definite useful life are recognised on the profit/(loss) statement of the year in the cost category consistent with the function of the intangible asset.

The intangible fixed assets with indefinite life are not amortised, but undergo impairment testing every year both individually and on the cash generating unit level. Estimation of the indefinite useful life is reviewed each year to determine whether this attribution continues to be sustainable. Otherwise, the change from indefinite useful life to definite useful life is applied prospectively.

Profits or losses coming from elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognised on the profit/(loss) statement of the year in the year when elimination occurs.

4.10.1 RESEARCH AND DEVELOPMENT COSTS

Research costs are charted to the income statement of the year in which they are incurred. The development costs incurred regarding a certain project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset so it is available for use or sale;
- the intention of completing the asset and its capability of using it or selling it;
- the methods with which the asset will generate future economic benefits;
- the availability of resources for completing the asset;
- the ability to reliably measure the cost attributable to the asset during development;
- the ability to use the generated intangible asset.

The development assets are measured at cost less the amortisation or accumulated impairment following the initial recognition. Amortisation of the asset begins when the development is completed and the asset is available for use. The development assets are amortised with reference to the period of the expected benefits and the relevant amortisation quotas are included in the cost of the sold product.

The asset is tested for impairment each year during the development period.

4.10.2 TRADEMARKS, LICENSES AND SIMILAR RIGHTS

Amortisation of the licenses is calculated with the straight-line method in order to allocate the cost borne for acquiring the right along the period of either that of expected use and the

duration of the relevant contracts, whichever is shorter, starting from the moment when the acquired right becomes exercisable. Software licenses are amortised on a straight-line basis over the period deemed representative of the relevant useful life, i.e. 5 years.

The amortisation rates of the other intangible fixed assets are summarised below.

	AMORTISATION RATE
Development costs	33%
Patents and intellectual property rights	20% – 33%
Software licenses	20%
Trademark registration	10%

The rates are in line with those applied in 2016.

4.10.3 TRADEMARK

The trademark "FLOS" has been recorded in 2015, after the purchase price allocation exercise of the goodwill arising from acquisition of Flos group by Padme S.p.A. and after the reverse merger of Padme S.p.A. and Arco S.p.A. into the Parent Company. Particularly, the "FLOS" trademark has been identified as the (sole) intangible asset complying with the requirement of the IAS 38 for disclosure in the financial statements and its value has been determined in € 143,500 thousand based on an independent expert's appraisal, by applying the "relief from royalties" method.

The "FLOS" trademark, was considered an asset with indefinite useful life, and hence not amortised since:

- it plays a priority role in Group strategy and is one of its drivers of primary value;
- in its concept of organised tangible assets and organisation itself in the broad sense, the corporate structure is strongly related to and dependent on the spread and development of the trademark in the markets;
- the brand is proprietary, properly registered and constantly protected from the regulatory viewpoint, with options to renew the legal protection upon expiration of the registration periods that are non-onerous, easy to implement and without external impediments;
- the products that the Group markets under said trademark are not subject to particular technological obsolescence, as is however characteristic for the "luxury" market in which the Group operates, and in fact the market perceives them as constantly innovative and fashionable, so much so that they are considered to be models for imitation or inspiration;
- the trademark is distinguished nationally and/or internationally by a market positioning and reputation such as to ensure its pre-eminence in the respective market segments as it is constantly associated and compared with the trademarks of absolute reference.

As at 31 December 2017, a separate impairment test was performed on the trademark in order to assess the consistency of values recorded in the financial statements with the criteria described later in this document.

4.11 FINANCIAL ASSETS

4.11.1 INITIAL RECOGNITION AND MEASUREMENT

When first recognised, the financial assets are classified as financial receivables and assets available for sale, as the case may be.

All financial assets are initially recognised at fair value, added to which are the transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value recorded in the income statement.

4.11.2 SUBSEQUENT MEASUREMENT

Financial assets are classified in two categories for subsequent measurement:

- Receivables;
- Financial assets available for sale.

4.11.2.1 RECEIVABLES

Receivables are non-derivative financial assets with fixed or determinable payments, not listed in an active market. Following the initial recognition, these financial assets are then measured at amortised cost, using the effective interest rate method, after deducting impairment losses. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the profit/(loss) statement of the year. Write-downs resulting from impairment losses on financial receivables and trade receivables are recognised as allocations to provisions.

4.11.2.2 FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale comprise shares and debt securities. Shares classified as available for sale are those that have not been classified as held for trading or designated at fair value in the income statement. Debt securities falling within this category are those held for an indefinite period and those that could be sold in response to the needs for liquidity or to a change in the market conditions.

Following initial recognition, the financial assets available for sale are measured at fair value and their unrealised gains and losses are recognised as other comprehensive income (expense), in the assets available for sale reserve, until the investment is eliminated—when the accumulated gain or loss is recorded amongst the other operating income or charges—or until an impairment emerges—when the accumulated loss is reversed from the reserve and reclassified in the year's profit/(loss) statement under financial charges.

4.11.3 CANCELLATION

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is cancelled in the first place (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinct, or
- the Group has transferred part of the right to receive cash flows from the asset to a third party or has taken on the contractual obligation to pay them in full and without delay and (a) has essentially transferred all the risks and benefits of the ownership of the financial asset, or (b) has neither transferred nor retained essentially all the risks and benefits of the asset, but has transferred its control.

In the cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership. If it has neither transferred nor essentially retained all the risks and benefits, or has not lost control over it, the asset continues to be recognised in the financial statements to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the remaining rights and obligations pertaining to the Group.

4.11.4 IMPAIRMENT OF FINANCIAL ASSETS

The Group checks whether a financial asset or group of financial assets has sustained impairment on every reporting date. An impairment exists when one or more events occur (when "a loss event" takes place) that have an impact on the future estimated cash flows of the financial asset, an impact that can be reliably estimated. The evidence of impairment can include information that a debtor or a group of debtors are in a situation of financial difficulty, inability to meet obligations, inability or delays in the payment of interest or of important payments, probability of being subject to bankruptcy procedures or other forms of financial restructuring, and observable data that indicate a measurable decrease in the future estimated cash flows as changes in contexts or in the economic conditions that are connected with financial crises.

4.11.5 FINANCIAL ASSETS AVAILABLE FOR SALE

The Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets available for sale on every reporting date.

In the case of capital assets, classified as available for sale, the objective evidence would include a significant decrease, or a decrease for an extended period, of the fair value of the asset below its cost. The term 'significant' is assessed with regard to the original cost of the asset, and the term 'extended' with regard to the period in which the fair value remains below the original cost. Where there is evidence of impairment, the accumulated loss—measured by the difference between the cost of purchase and the current fair value, less the losses due to reduced value of that financial asset previously recorded in the statement of profit/(loss) for the year—is reversed from the statement of the other comprehensive income (expense) and recorded in the statement of profit/(loss) for the year.

Impairment on instruments representing capital is not restored with effect recognised in the income statement; the increases in their fair value after the reduction in value are recognised directly on the comprehensive income statement.

4.12 FINANCIAL LIABILITIES

4.12.1 INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the income statement, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, added to which—as in the case of loans and payables—transaction costs directly attributable to them.

The Group's financial liabilities include trade payables and other payables, loans, including current account overdrafts, and derivative financial instruments.

4.12.2 SUBSEQUENT MEASUREMENT

Measurement of the financial liabilities depends on their classification, as described below:

4.12.2.1 FINANCIAL LIABILITIES AT FAIR VALUE RECOGNISED IN THE INCOME STATEMENT

Financial assets at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recorded in the income statement.

Liabilities held for trading are all those incurred for the purpose of reselling them in the short term. This category also includes the derivative financial instruments underwritten by the Group that are not designated as hedging instruments as defined by IAS 39. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on the liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition only if the criteria of IAS 39 are met. At the time of initial recognition, the Group has not designated financial liabilities at fair value with changes recognised in the income statement.

4.12.2.2 LOANS AND RECEIVABLES

Following the initial recognition, loans are measured with the amortised cost criteria using the actual interest rate. Profits and losses are booked in the income statement when the liability is settled, in addition to through the amortisation process.

The amortised cost is calculated by recognising the discount or premiums on the purchase and the fees or costs that are an integral part of the actual interest rate. Amortisation at the actual interest rate is included amongst the financial charges in the profit/(loss) statement.

This category generally includes receivables and interest-bearing loans.

4.12.3 CANCELLATION

A financial liability is cancelled when the obligation underlying the liability is met, cancelled or honoured. Where an existing financial liability is replaced by another of the same lender, at basically different conditions, or the conditions of an existing liability are basically altered, this exchange or change is treated as an accounting cancellation of the original liability, accompanied by recognition of a new liability with recognition in the statement of profit/(loss) for the year of any differences between the book values.

4.12.4 OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and liability can be offset and the net balance can be shown on the statement of financial position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.

4.13 DERIVATIVE FINANCIAL INSTRUMENTS

4.13.1 INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Group uses derivative financial instruments, including swaps on interest rates to hedge the interest rate risk. These derivative financial instruments are initially recognised at fair value on the date when the derivative contract is signed, and afterwards they are measured again at fair value. The derivatives are booked as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any possible profit or loss resulting from changes in fair value of derivatives are recognised directly to income statement, except for the effective portion of cash flow hedging, which is recognised in the other comprehensive income (expense) and then restated in the statement of profit/(loss) for the year, when the hedging instrument affects the profit or the loss.

For the purpose of hedge accounting, hedging is classified as fair value hedging, if it is related to the risk of fair value changes in the underlying assets or liabilities or to an unrecognised irrevocable commitment.

At inception of a hedging operation, the Group defines and formally states both the hedging relation on which it intends to apply the hedge accounting, its targets in the risk management and the pursued strategy. The documents include the identification of the hedging instrument,

the hedged element or operation, the kind of risk and the modalities with which the company intends to evaluate the effectiveness of the hedging with respect to the exposure to changes in fair value of the hedged element or of cash flows related to the hedged risk. This hedging is expected to be highly effective with respect to the exposure of the hedged element to changes in fair value or cash flows related to the hedged risk. The hedging is measured on a continuous basis to determine whether this hedging is really highly effective in the financial years for which it was designated as hedging operation.

Transactions that meet the rigorous criteria for hedge accounting are accounted for as follows:

4.13.2 FAIR VALUE HEDGING

The change in fair value of hedging derivatives on interest rates is recognised in the statement of profit/(loss) for the year, under financial charges. The change in fair value of hedging instruments, attributable to the hedged element is recognised as a portion of the carrying amount of the hedged element and it is also recognised in the statement of profit/(loss) for the year, under financial charges.

As regards fair value hedges related to elements recognised at amortised cost, each single adjustment of the book value is amortised in the statement of profit/(loss) for the year, with the effective interest rate method, over the residual period until maturity. Amortisation determined in this way can start as soon as there is an adjustment, but not after the date in which the hedged elements cease to be adjusted in relation to fair value changes attributable to the hedged risk.

If the hedged element is cancelled, the non-amortised fair value is immediately recognised in the statement of profit/(loss) for the year.

When a commitment, which is irrevocable and not recorded, is designated as hedged element, the following cumulated changes in its fair value, attributable to the hedged risk, are accounted for as assets or liabilities, and the corresponding profits or losses are recognised in the statement of profit/(loss) for the year.

Two Interest Rate Swap contracts are in place with the Parent Company, intended to hedge the risk of fair value changes in the loan described hereunder.

4.14 INVENTORIES

Inventories are measured at cost or the estimated net realisable value, whichever is less.

The costs borne to take each asset to the place and in the current conditions are recognised as follows:

- The cost of the inventories is based on the weighted average cost method;
- The cost of production is determined by including all costs directly chargeable to the products, the production overhead costs, defined based on the normal production capacity, leaving out the financial charges.

For the portion of inventories deemed no longer economically usable, or with an estimated realisable value lower than the cost recorded in the financial statements, a special provision for depreciation is allocated.

4.15 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses possible existence of indicators of impairment of the assets on every year-end date. In this case, or in the cases in which an annual check of the impairment is required, the Group estimates the recoverable value. The recoverable value is either the fair value of the asset

or cash generating unit, net of the selling costs, and its value of use, whichever is higher. The recoverable value is determined for every single asset, except when this asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has sustained impairment and is written down, as a result, until it is taken back to the recoverable value.

In determining the value of use, the Group discounts the estimated future cash flows to the current value using a pre-tax discount rate that reflects the market valuations of the current value of the money and the specific risks of the asset. In determining the fair value net of the selling costs, recent transactions carried out on the market are taken into consideration. If it is impossible to identify these transactions, an adequate valuation model is used. These calculations are corroborated by appropriate valuation multipliers, prices of listed equity shares for investees whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations prepared separately for each cash generating unit of the Group on which individual assets are allocated. These budgets and forecast calculations usually cover a five-year period. In the case of longer periods, a long-term growth rate is calculated, which is used to project the future cash flows beyond the fifth year.

The impairment of continuing operations, including impairment of inventories, is recorded in the statement of profit/(loss) for the year in the cost categories consistent with the intended use of the asset that showed the impairment. Previously revalued fixed assets, where the revaluation was booked in the other comprehensive income (expense), are an exception to the rule. In these cases, the impairment is in turn recognised in the other comprehensive income (expense), to the extent of the previous revaluation.

For the assets other than goodwill, at each year end the Group assesses any existence of indications of previously recognised impairment ceasing (or reducing), and if these indications exist, it estimates the recoverable value of the asset or CGU. The value of a previously written down asset can be reinstated only if there have been changes in the assumptions on which the calculations of the determined recoverable value are based after the last impairment has been recognised. The write-back cannot exceed the book value that would have been determined, net of amortisation or depreciation, in the case in which no impairment had been recognised in previous years. This write-back is recognised in the statement of profit/(loss) for the year unless the fixed asset has been booked at revalued value, and, in that case, the write-back is treated as an increase due to revaluation.

The following criteria are used for booking impairment regarding specific types of assets:

4.15.1 GOODWILL

Goodwill undergoes impairment testing at least once a year (on 31 December) and more frequently when circumstances lead to the opinion that the recognition value might be subject to impairment.

The impairment of the goodwill is determined by measuring the recoverable value of the cash generating unit to which goodwill refers. Where the recoverable value of the cash generating unit is lower than the book value of the cash generating unit to which the goodwill has been allocated, an impairment is recognised. The reduction of the goodwill value cannot be restored in future years.

4.15.2 TRADEMARK

The intangible fixed assets with indefinite useful life such as the "FLOS" trademark undergo impairment testing at least once a year with reference to 31 December on the cash generating unit level and when circumstances indicate that there may be impairment.

4.16 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits include cash on hand and demand deposits and short-term deposits with due date not beyond three months.

For the purpose of representation on the consolidated cash flow statement, the cash and cash equivalents are represented by the cash and cash equivalents as defined above, less the bank overdrafts.

4.17 OWN SHARES

Repurchased own shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of own shares do not give rise to any profit or loss in the income statement. The difference between the purchase value and the consideration, in case of reissue, is recorded in the share premium reserve. If options on shares are exercised during the period, they are satisfied with own shares.

4.18 PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The Group recognises provisions for contingencies and other charges when:

- it has a legal or implicit obligation to third parties arising from a past event;
- it is probable that use of Group resources will become necessary in order to fulfil the obligation;
- a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at current value if the financial element (time value) is significantly appreciable by using a discount rate that reflects the specific risks of the liabilities. When discounting back, the increase in the provision due to the lapse of time is recorded as a financial charge. The changes in estimate are reflected in the income statement of the period in which the change took place.

4.19 PENSION FUNDS AND OTHER BENEFITS FOLLOWING EMPLOYMENT

The Group companies recognise a number of forms of defined benefit pension plans that are in line with the conditions and practices commonly applied in the countries where they carry on their activities.

The defined benefit pension plans, including the employee severance indemnities due, in Italy, to employees pursuant to Art. 2120 of the Italian Civil Code, are based on the working life of the employees and on the remuneration the employee receives during a predetermined period of service.

More specifically, the liability representing the amount the Group companies owe to their employees is recognised in the financial statements based on its actuarial value since it can be considered as an employee benefit due based on a defined benefit plan. Recognition of the defined benefit plans in the financial statements requires the estimate, using actuarial techniques, of the amount of the benefits accrued by the employees in exchange for the work activity provided during the current year and in previous years and the discounting of these benefits in order to determine the current value of the commitments of the Group companies. The current value of these commitments is determined with the "projected unit credit method". This method, which falls within the more general scope of techniques regarding the "accrued benefits", considers every period of service provided by the workers at the company as a unit of additional right. The actuarial liability must therefore be quantified on the basis of only the seniority accrued on the date of valuation. Therefore, the total liability is usually apportioned based on the ratio between the years of service accrued on the date of reference of the

valuations and the seniority reached as a whole at the time estimated for liquidation of the benefit. Moreover, the aforesaid method requires considering the future remuneration increases due for any reason (inflation, career, contractual renewals, etc.) up until the time employment ends.

The cost accrued during the year regarding the defined benefit plans and recorded in the income statement as personnel costs is the sum of the current average value of the rights accrued by the workers present for the activity provided during the year and the annual interest accrued on the current value of the commitments of the Group companies at the beginning of the year, calculated using the discounting rate of the future disbursements adopted to estimate the liability at the end of the previous year. The actuarial gains and losses state the effects of the differences between the prior actuarial assumptions and what actually occurred and the effects of the changes in the actuarial assumptions. These actuarial gains and losses are recognised in the statement of comprehensive profit.

Following the Complementary Pension Scheme Reform, as amended by Italian Finance Act 2007 and subsequent decrees and regulations issued in the early months of 2007, starting from 1 January 2007 the accruing employee severance indemnities will be allocated to the pension funds, the treasury fund set up at INPS or, in the case of companies having fewer than 50 employees, it may remain in the company, similar to what was done in the previous periods. The employees had the right to choose the destination of their severance indemnities until 30 June 2007.

To this regard, the effects arising from the new provisions were taken into consideration, and as per IAS 19 only the liability regarding the accruing employee severance indemnity that remained in the company was valued since the accruing amount, since 2007, is directed to alternative pension forms or is deposited in a treasury account set up at INPS, depending on the choice that every single employee made.

In connection with this, allocating the accruing amounts of employee severance indemnity to the pension funds or to INPS requires that a portion of the accruing employee severance indemnity be classified as a defined contributions plan since the company's obligation is represented only by payment of the contributions to the pension fund or to INPS. The liability regarding the previous employee severance indemnities continues to represent a defined benefit plan to be measured according to actuarial assumptions.

5 NEW ACCOUNTING CRITERIA, INTERPRETATIONS AND MODIFICATIONS ADOPTED BY THE GROUP

The Group adopted for the first time some accounting standards and amendments that are applied for annual periods beginning on or after 1st January 2017. The Group has not opted for an early adoption of any standard, interpretation or amendment that has been published, but is not yet effective.

The nature and impact of any new principle and amendment are specified hereunder: Albeit these new standards and amendments had been applied for the first time in 2017, they did not have a material impact on the Group consolidated financial statements. The nature and impact of any new principle/amendment are specified hereunder:

5.1 IAS 7 DISCLOSURE INITIATIVE—AMENDMENTS TO IAS 7

Amendments to IAS 7—Financial Statement are included in the Disclosure Initiative of IASB and require that an entity supplies supplementary information, which would allow users of the financial statements to evaluate changes in liabilities connected with loans, including both changes related to cash flows and non-monetary changes (for instance forex gains and losses).

5.2 IAS 12 RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES—AMENDMENTS TO IAS 12

The amendments clarify that an entity should consider whether tax laws limit the taxable income sources for which it might have deductions related to the reverse of deductible temporary differences. Moreover, the amendment supplies guidelines on how an entity should determine future taxable income and clarifies when the taxable income might include the recovery of some assets, for a higher value than their carrying amount.

The Group adopted such principle retrospectively without any impact on Net financial position and economic results due to the absence of temporary deductible differences and activities included in the scope of the principle itself.

6 PRINCIPLES ISSUED BUT NOT YET IN EFFECT

The principles and interpretations that as at the date the consolidated financial statements were drafted had already been issued but were not yet in effect are explained below. The Group intends to adopt these standards when they enter into force.

6.1 IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9—Financial Instruments that replaces IAS 39—Financial Instruments: Recognition and measurement, and all the previous versions of IFRS 9. IFRS 9 brings together all three aspects regarding the project on booking financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the years starting on 1 January 2018 or afterwards; early application is permitted. With the exception of hedge accounting, retrospective application of the principle is required, but it is not necessary to provide the comparative disclosure. As for hedge accounting, the principle generally applies prospectively, with a few limited exceptions.

The Group will adopt the new standard upon its effective date without showing the comparative information. In general, the Parent Company does not foresee any significant impact on the separate and consolidated financial statements.

6.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014, and it introduces a new five-phase model that will be applied to the revenues coming from contracts with customers. IFRS 15 requires recognition of the revenues for an amount that reflects the consideration at which the entity believes it is entitled in exchange for transfer of goods or services to the customer.

The new principle will replace all the current requirements in the IFRSs on the subject of recognition of revenues. The principle is effective for the years starting on 1 January 2018 or afterwards, with full retrospective or amended application. Early application is permitted.

The Group expects to apply the new standard starting from the mandatory date of effectiveness, using the full retrospective application method.

The Group operates in the high-end design and lighting sector. The goods are sold based on contracts signed with distinct and identifiable customers.

Management has already performed a preliminary valuation which resulted in a non material impact.

6.2.1 SALE OF GOODS

It is not expected that the contracts with the customers in which the sale is the only obligation will have an impact on the Group. The Group expects that the revenues will be recognised when control of the asset has been transferred to the customer, generally at the time the asset is delivered.

The Group considered the following points in applying IFRS 15:

6.2.1.1 VARIABLE CONSIDERATION

IFRS 15 requires that the variable consideration be limited in order to prevent over-recognition of the revenues. The Group continues to measure the single contracts in order to determine the estimated variable consideration and its limit. The Group does not expect application of the limit to involve deferment of the recognition of a greater volume of revenues than what occurs with application of the current IFRSs.

6.2.1.2 OBLIGATIONS FOR WARRANTIES

The Group envisages warranties for general repairs in contracts with customers and does not provide extended warranties or maintenance services. As a result, the Group deems that these warranties are of the insurance type and that they will still be accounted in compliance with IAS 37—Provisions, contingent liabilities and contingent assets, in line with what is currently being done.

6.3 AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary sold or contributed to an associate or joint venture. The amendments clarify that the profit or loss resulting from the sale or contribution of assets forming a business, as defined by IFRS 3, between an investor and its associate or joint venture, has to be entirely recognised. Any profit or loss resulting from the sale or contribution of assets, not making up a business, is on the other hand recognised only within the limits of the share held in the associate or joint venture by third-party investors. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No changes are expected for the Group.

6.4 IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS—AMENDMENTS TO IFRS 2

The IASB issued the amendments to IFRS 2—Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.

Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are in effect for annual reporting periods beginning on or after 01 January 2018; early application is permitted. No impact due to the application of these amendments is expected by the Group.

6.5 IFRS 16 LEASES

IFRS 16 was published in January 2016 and supersedes IAS 17—Leases, IFRIC 4—Determining Whether an Arrangement Contains a Lease, SIC-15—Operating Lease—Incentives and SIC-27—Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The standard envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability

against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/ depreciation of the right-of-use asset.

The lease liability is subsequently remeasured by lessees to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in future lease payments due to changes in an index or a rate used to calculate those payments). The lessee will generally recognise the amount of the lease liability remeasurement as an adjustment of the right-of-use asset.

Accounting envisaged by IFRS 16 for lessors remains substantially unchanged compared to the current accounting method as per IAS 17. Lessors shall continue to classify all leases by using the same classification principle envisaged by IAS 17 and making a distinction between two types of lease: operating and financial leases.

IFRS 16 requires lessees and lessors to provide for further disclosures compared to IAS 17.

IFRS 16 is effective for annual reporting periods beginning on 1 January 2019, or later. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits.

In 2018, the Group expects to define the possible effects of IFRS 16 on its consolidated financial statements.

6.6 IFRS 17 INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

6.7 TRANSFERS OF INVESTMENT PROPERTY—AMENDMENTS TO IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual

reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

6.8 ANNUAL IMPROVEMENTS 2014-2016 CYCLE (ISSUED IN DECEMBER 2016)

These improvements include:

6.8.1 IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—DELETION OF SHORT-TERM EXEMPTIONS FOR FIRST-TIME ADOPTERS

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

6.8.2 IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES—CLARIFICATION THAT MEASURING INVESTEES AT FAIR VALUE THROUGH PROFIT OR LOSS IS AN INVESTMENT-BY-INVESTMENT CHOICE

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

6.8.3 IFRIC INTERPRETATION 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

6.8.4 IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date.

Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

7 DISCRETIONARY ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparing the Group financial statements requires the directors to make discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the disclosures regarding them, as well as information on potential liabilities. The uncertainty of these assumptions and estimates might give rise to results that will require a significant adjustment to the book value of these assets and/or liabilities in the future.

7.1 DISCRETIONARY ASSESSMENTS

In applying the Group's accounting principles, the directors have taken decisions based on the following discretionary assessments (not including those that involve estimates) with a significant effect on the values entered in the financial statements.

7.2 ESTIMATES AND ASSUMPTIONS

The assumptions regarding the future and the other main causes of uncertainty in the estimates that as at 31 December pose the significant risk of giving rise to significant adjustments of the book values of the assets and liabilities by the end of the following year are illustrated here below. The Group has based its estimates and assumptions on yardsticks available at the time the consolidated financial statements were prepared. Nevertheless, the current circumstances and

assumptions on the future developments could be altered due to changes in the market or occurrences that the Group cannot control. These changes, should they occur, are reflected in the assumptions.

7.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the book value of an asset or a cash generating unit exceeds its recoverable value, which is its fair value, net of the selling costs, and its value of use, whichever is higher. The fair value minus the selling costs is the amount obtainable from the sale of an asset or of a cash generating unit in a free transaction between aware and willing parties, less the disposal costs. Calculation of the value of use is based on a cash flow discounting model. The cash flows are taken from the budget of the five subsequent years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will increase the results of the assets making up the cash generating unit being measured. The recoverable value noticeably depends on the discount rate used in the cash flow discounting model, just like it does on the cash flows expected in the future and the growth rate used for extrapolation.

7.4 DEFINED BENEFIT PLANS (EMPLOYEE SEVERANCE INDEMNITIES)

The cost of the defined benefit pension plans and other medical benefits subsequent to employment and the current value of the obligation for defined benefits are determined using actuarial valuations. The actuarial valuation requires that several assumptions that may differ from actual future developments be worked out. These assumptions include determination of the discount rate, the future wage gains, the mortality rates and the future increase in pensions. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. All the assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the corporate bond interest rate as reference, in currencies consistent with the currencies of the bonds for defined benefits that have at least a AA rating, assigned by internationally recognised rating agencies, and with average due dates corresponding to the expected duration of the defined benefits bond. The bonds undergo another qualitative analysis and those having a credit spread deemed excessive are eliminated from the population of bonds on which the discount rate is calculated since they do not represent a high-quality category of bonds.

The mortality rate is based on the tables available on the specific mortality for each country. The future wage gains and pension gains are based on the inflation rates expected for each country.

7.5 DEVELOPMENT COSTS

Development costs are capitalised according to the reference accounting principles. Initial capitalisation of the costs is based on the fact that management's opinion on the technical and economic feasibility of the project is confirmed. This usually takes place when the project has reached a precise stage of the development plan.

7.6 MANAGEMENT INCENTIVE PLAN

The estimated fair value of the Plan at 31 December 2017 is equal to Euro 58 thousand, not accounted for as considered not material.

Such estimate is based on the following assumptions:

- 100% probability that no beneficiary loses is right during the vesting period
- 50% probability that the share value is at least 2x the base value at the exit
- 50% probability the share value reach 2x the base value during the vesting period

7.7 OBJECTIVES AND CRITERIA FOR MANAGING FINANCIAL RISK

The major financial liabilities of the Group comprise trade payables, loans and other payables. The main objective of these liabilities is to fund the Group's operating activities. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operational activities.

The Group is exposed to **market risk** (interest and exchange rate), **credit risk** and **liquidity risk**. Group Management is appointed to manage these risks. The Board of Directors reviews and approves the management policies of each of the risks described below.

7.7.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will change due to the changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates is first of all related to the long-term debt with variable interest rate.

The Group manages its rate risk through two Interest Rate Swap (IRS) contracts, where the Group agrees to exchange the difference in amount between the fixed rate and the variable rate each quarter. This difference is calculated referring to an agreed notional principal amount. The detail follows. See Note 42.

	Notional	Sell	Buy
IRS 30 June 2015 (start date)	100,000	Euribor 3M	0.574%
IRS 31 December 2015 (start date)	30,000	Euribor 3M	0.411%

The sensitivity analysis shows how an unfavourable change in interest rates of + 1% on the portion of variable rate loans not covered by IRS would lead to a worsening of the pre-tax profit of € 296 thousand.

7.7.2 EXCHANGE RATE RISKS

Exchange rate risk is the risk that the fair value or the future cash flows of an exposure will change due to the changes in the exchange rates. The Group's exposure to the risk of exchange rate changes mainly refers to the operating activities of the Group (when the revenues or costs are denominated in a foreign currency) and to the net investments of the Group in foreign subsidiaries.

Although the Group has a strong international connotation, the use of Euro as trans-national currency for most of its transactions, reduces almost entirely any risks connected to variations in exchange rates. The Group is mainly exposed for positions denominated in U.S. dollars, Norwegian krones, Danish krones and Japanese yen, for volumes, which however are not such as considerably impacting its equity and financial position, and results of operations. Consequently, no sensitivity analysis has been made on the changes in exchange rates.

7.7.3 CREDIT RISK

Credit risk is the risk that a counterparty does not fulfil its obligations tied to a financial instrument or to a commercial contract, therefore leading to a financial loss. The Group is exposed to the credit risk arising from its operating activities (above all for trade receivables and credit notes) and includes deposits with banks and financial institutions.

The individual subsidiaries manage the credit risk related to the commercial counterparties and it is monitored centrally by the Group Administration Department. The Group has no significant concentrations of credit risk. However, there are procedures aimed at ensuring that the sales of products and services are made to very reliable customers, and their financial position, past

experience and other factors are taken into account. The credit limits on the major customers are based on internal and external assessments on the basis of thresholds approved by the managements of the single countries. Use of the credit limits is periodically monitored.

The current customer list consists of the key players of the market with credit ratings of maximum reliability. Therefore, no measures to cover this risk other than the normal procedures and controls used for managing credit risk have been provided.

Please note that there are no receivables that have expired for over 12 months.

7.7.3.1 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

As for the credit risk regarding the management of financial and cash resources, the risk is monitored by the Group Administration Department, which implements procedures aimed at ensuring that the Group Companies have relations with independent counterparties of a high and reliable profile.

7.7.4 LIQUIDITY RISK

The Group monitors the risk of a shortage of liquidity using a liquidity-planning tool.
The Group is not significantly exposed to this type of risk since the financial and capital structure of the Group is sound.

7.7.5 EXCESSIVE CONCENTRATION RISK

Concentration arises when a number of counterparties are engaged in a similar business or carry on their activities in the same geographical area or have economic characteristics such as to see their ability to honour contractual commitments affected by economic or political changes, or by other conditions. Concentration indicates the relative sensitivity of the Group's result to changes that might influence a particular sector.

In order to prevent an excessive concentration of risk, the Group's rules and procedures include specific guidelines for keeping a diversified portfolio. Once any situations of credit risk concentration are identified, they are controlled and managed as a consequence. Specific hedging is used within the Group to manage the risk of concentration, on both the relations and sector levels.

7.8 COMMITMENTS AND RISKS

7.8.1 GUARANTEES AND COMMITMENTS

In connection with the Senior Facility Agreement stipulated with Unicredit AG, Milan Branch, the Parent Company Flos S.p.A. has provided the following guarantees in place as at 31 December 2017:

- a deed of mortgage on the property located in Bovezzo (BS);
- a deed of lien on some assets of the Parent Company, pursuant to Art. 46 of the Italian Consolidated Banking Law;
- a Spanish pledge document regarding the shares of Antares Iluminacion S.A.U.;
- a pledge document regarding the quota of Ares S.r.l.;
- a pledge document regarding the main current accounts of the Parent Company (and on their balances, including any accrued and accruing interest);
- a pledge document regarding several titles to industrial property of the Parent Company.

The Group had also provided the following guarantees as at 31 December 2017:

- guarantee given by the Parent Company against the lease of the Milan showroom for € 64 thousand, in addition to a guarantee for supplies to customers, amounting to € 77 thousand;
- guarantee on payables recorded in the financial statements of the subsidiary Flos USA Inc. for the deferred payment of the purchase price of Lukas Lighting Inc.; the residual commitment as at 31 December 2017 amounted to € 1,340 thousand;
- bank surety issued on 27 December 2016 by Unicredit on behalf of the Parent Company in favour of the Italian Tax Authorities for an amount (including interests) of € 953 thousand, with 3-year validity, to guarantee the payment of 2015 VAT reimbursement of € 894 thousand, collected on 23 March 2017.

7.8.2 FINANCIAL LEASING AND REDEMPTION COMMITMENTS

The Group signed a financial leasing contract with ING Leasing of Madrid (ES) following the purchase of the industrial property by the subsidiary Antares Iluminacion S.A.U. and related takeover of the underlying lease contract. This commitment, equal to € 5,988 thousand (€ 585 thousand within 12 months and € 5,403 after 12 months), is to be considered in the amount of € 2,767 thousand beyond 5 years.

7.9 LITIGATION MATTERS

The subsidiaries Ares S.r.l. and Flos Benelux NV have prudentially increased by € 100 thousand up to €253 thousand the risk provision accounted for to cover a legal dispute currently in course and for which the Lawyers determined the possible liability.

7.10 POTENTIAL LIABILITIES

In addition to what included in the previous caption the Group deemed it appropriate to account for the following.

- The warranties risk provision has been increased by 696 thousand up to € 2,139 thousand, to cover the always increasing requests for extended warranties on LED Products after the 24 months set forth by law;
- an amount of € 50 thousand to cover possible future cash outs for legal expenses.

8 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS IN 2016 AND 2017

8.1 ACQUISITION OF THE MINORITY INTEREST IN FLOS USA INC. IN 2016

On 23 September 2016, the Group acquired an additional interest of 1.64% in the voting rights of Flos Usa Inc. (2 shares). The Group therefore now wholly owns the company.

For the acquisition, the minority shareholders received the amount of $ 95,349.00 (corresponding to € 86 thousand), which is exactly the pro-quota of net assets at the acquisition date.

8.2 ACQUISITION OF THE MINORITY INTEREST IN LIGHT CONTRACT SRL IN 2017

On 31 January 2017 Flos SpA has acquired a 10% interest in Light Contract Srl for an amount of € 557 thousands corresponding to the net book value; following this acquisition Flos SpA owns the 70% of Light Contract Srl.

8.3 ACQUISITION OF THE MINORITY INTEREST IN FLOS SCANDINAVIA A/S IN 2017

On 29 December 2017 Flos SpA has acquired a 10% interest in Flos Scandinavia A/S for an amount of € 504 thousand corresponding to the net book value; following this acquisition Flos SpA owns the 65% of Flos Scandinavia A/S.

8.4 ACQUISITION OF KKDC SARL IN 2017

On 3 May 2017, Flos Group has acquired through Flos France SaS the 100% investment in KKDC Sàrl, then renamed Flos Projets Sàrl.

The fair value of the assets and liabilities of KKDC Sàrl at the reference date of the acquisition (1st April 2017) is the following.

	FAIR VALUE RECOGNISED AT TIME OF ACQUISITION
Other intangible assets	211
Property, plant and machinery	21
Other non-current assets	61
Inventories	183
Trade receivables	913
Tax assets and other assets	12
Cash and cash equivalents and short-term deposits	244
TOTAL ASSETS	**1,644**
Short term financial liabilities	(244)
Other liabilities	(703)
Trade payables	(521)
TOTAL LIABILITIES	**(1,468)**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**176**
Goodwill coming from the acquisition	1,100
CONSIDERATION OF THE ACQUISITION	**1,276**
Net financial indebtedness	(363)
CONSIDERATION OF THE ACQUISITION inclusing Net financial indebtedness	**1,639**

As foreseen by IFRS3 the difference between the acquisition consideration (€1,276 thousands) and the Net assets value (€176 thousands) has been provisionally allocated to Goodwill, amounting to €1,100 thousands.

9 GOODWILL

The total value of Goodwill amounted to € 354,866 thousand broken down as follows:

	2017	2016
Goodwill after reverse merge Flos S.p.A.	315,146	315,146
Goodwill from acquisition Ares S.r.l.	32,196	32,196
Goodwill from acquisition Lukas Lighting Inc.	6,424	6,424
Goodwill from acquisition of Flos Projets Sàrl	1,100	—
TOTAL ASSETS WITH INDEFINITE USEFUL LIFE	**354,866**	**353,766**

9.1 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE FIXED ASSETS WITH INDEFINITE USEFUL LIFE

According to IAS 36, Goodwill is not subject to amortisation and undergoes impairment testing at least once a year.

Goodwill is allocated to the Cash Generating Units (CGUs) for impairment testing. Impairment testing is performed by comparing the total book value of the Goodwill and the total net assets able to produce autonomously cash flows (CGUs), to which Goodwill can reasonably be allocated,

with the value in use of the CGU or that recoverable of it through disposal, whichever is higher. More specifically, the value in use was determined by applying the Discounted Cash Flows method, discounting the operational flows resulting from economic-financial projects based on assumptions contained in the plan officially approved by the Management.

The discounting factor used is the WACC (Weighted Average Cost of Capital), recorded with reference to the sector in which the CGU under evaluation operates.

The valuation model determines the value in use as the sum of the operational cash flows (defined as EBITDA net of notional taxes on the operating result and changed in the net working capital, changes in provisions, disinvestments/investments in capital assets) for each year of the plan.

The terminal value is determined applying a perpetual growth factor essentially representative of the expected inflation rate in Italy (market in which the identified CGUs operate) to the operational cash flow relating to the last year of plan appropriately normalised.

According to the Management's vision, the business of the Flos Group must be read based on the division both by collection ("Architectural", "Decorative", "Outdoor", etc.) and by channel/customer (*retail vs contract*), the one being transversal with respect to the other. Moreover, an important part of sales is made through the foreign branches operating on all channels and on all collections. This matrix structure brings about a substantial interdependency of cash flows generated by collection/channel/legal entity, all depending on the "FLOS" trademark. These are the reasons why the impairment test was carried out considering the Group as a unique CGU and the net invested capital as a whole was tested.

The Discounted Cash Flow analysis was prepared based on the 2018 Budget of the Flos Group approved by the Board of Directors on 12 February 2018 and on the business plan for the 2019-2021 period drawn up by the Management in view of the merger project, approved by the Board of Directors.

The "value in use" was calculated based on a WACC, net of tax, equivalent to 7.38% and a "g rate" of 2%. These rates were determined by referring to the discounting rates used by a number of international analysts in financial reports concerning comparable players operating in the same sector and listed in regulated markets.

The sensitivity analysis on the impairment test, conducted as instructed in IAS 36 in order to point out the effects generated on the "value in use" by a reasonable change of basic assumptions (WACC, growth rates), showed no appreciable effects on the "value in use", even in considering a negative change of 0.5 on the g rate and a positive change of 0.5 on WACC.

10 OTHER INTANGIBLE FIXED ASSETS

Other Intangible Assets totalled € 148,379 thousand as at 31 December 2017 and included the following:

	DEVELOPMENT COSTS	PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CO LIC TRAD OTHE FIX
Net book value at beginning of previous year	**1,978**	**1,040**	
Historical cost at beginning of previous year	**8,420**	**3,837**	
Increases in historical cost—previous year	2,230	752	
Decreases in historical cost—previous year	—	—	
Transfers/Reclassifications	(166)	(113)	
Exchange rate difference—previous year	5	9	
Historical cost at end of previous year	**10,489**	**4,485**	
Accumulated amortisation at beginning of previous year	**(6,442)**	**(2,797)**	
Increases in accumulated amortisation—previous year	(1,928)	(670)	
Accumulated amortisation at end of previous year	**(8,370)**	**(3,467)**	
Net book value at end of previous year	**2,119**	**1,018**	
Historical cost at beginning of current year	**10,489**	**4,485**	
Increases in historical cost—current year	2,252	1,110	
Decreases in historical cost—current year	—	(1)	
Transfers / Reclassifications	—	52	
Exchange rate difference—current year	—	(19)	
Acquisitions—Company IN	—	—	
Historical cost at end of current year	**12,741**	**5,627**	
Accumulated amortisation at beginning of current year	**(8,370)**	**(3,467)**	
Increases in accumulated amortisation—current year	(2,129)	(805)	
Transfers / Reclassifications	—	—	
Acquisitions—Company IN	—	—	
Accumulated amortisation at end of current year	**(10,499)**	**(4,271)**	
Net book value at end of current year	**2,242**	**1,356**	

Development costs for €2,242 thousands include the costs of personnel dedicated to product development carried out within the Group. These costs are amortised over three years.

The item **Patents and intellectual property rights** includes:

- items entered by the Parent Company totalling € 1,041 thousand, of which:
  - Patents, amounting to € 543 thousand;
  - Software, amounting to € 242 thousand;
  - Web-site and e-commerce amounting to €148 thousands;
  - Image rights, amounting to € 52 thousand;
  - Minor licenses, amounting to € 46 thousand;
- the amounts entered by other Group companies, mainly for software.

The item **Concessions, licenses and trademarks and other intangible fixed assets** refers mainly to the Parent Company's assets related to:

- the production license relating to the line "*Soft Architectural*", for a residual amount of € 763 thousand;
- the deposit of trademarks, amounting to € 104 thousand.

The caption also includes circa € 240 thousand for the Bails that the subsidiary Flos Sàrl paid for the Paris and Lyon stores.

The item **Trademarks**, equal to € 143,500 thousand, refers only to the "FLOS" trademark, recorded in the Company's financial statements as from 2015, following the reverse merger of Padme S.p.A. and Arco S.p.A.. The value of the trademark, that has been considered at indefinite useful life and therefore not amortised, was determined at a value of € 143,500 thousand by an independent expert's appraisal, based on the "relief from royalties" method. As at 31 December 2017, the trademark was subject to a separate impairment test, as detailed hereunder.

Moreover, it should be noted that the recognition of the "FLOS" trademark also involved the allocation, in 2015 of the related deferred taxes, amounting to € 40,037 thousand.

10.1 IMPAIRMENT TESTING ON THE TRADEMARK

The trademark was tested for impairment by comparing the book value of the trademark with its economic value resulting from the Discounted Cash Flow generated by the application of the Royalty Relief Method. Based on this method, cash flows are linked to the recognition of a royalty percentage applied to the amounting of revenues that the trademark can generate. As regards the 2017 assessment, revenues are based (i) for 2018, on the Budget approved by the Board of Directors on 12 February 2018; (ii) for the 2019-2021 period, on the business plan prepared for the merger project and approved by the Board of Directors on 29 June 2015; (iii) for the 2022-2027 period, based on 2% growth.

The "g" growth rate used was equal to 2%.

The discounting factor used is the WACC (Weighted Average Cost of Capital), recorded with reference to the sector in which the CGU under evaluation operates. The WACC (Weighted Average Cost of Capital) was calculated as 7,38% and then increased by 2% to reflect the premium related to the Trademark.

The results of the sensitivity analysis highlight that the value recorded in the FLOS trademark is confirmed until 1% negative changes on g rate and 1% positive on the discounting factor.

11 PROPERTY, PLANT AND MACHINERY

Property, plant and machinery totalled € 55,819 thousand as at 31 December 2017 and included the following:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT
Net book value at beginning of previous year	**48,904**	**2,175**	**3,24**
Historical cost at beginning of previous year	**57,237**	**12,397**	**32,05**
Acquisitions—previous year	628	230	2,30
Decreases in historical cost—previous year	(446)	(44)	(8
Increases in historical cost—previous year	1,500	(242)	(6
Exchange rate difference—previous year	27	12	1
Historical cost at end of previous year	**58,946**	**12,354**	**34,22**
Accumulated depreciation at beginning of previous year	**(8,333)**	**(10,222)**	**(28,80**
Increases in accumulated depreciation—previous year	(1,448)	(629)	(1,60
Decreases in accumulated depreciation—previous year	103	44	—
Transfers / Reclassifications	(1,020)	168	(2
Accumulated depreciation at end of previous year	**(10,697)**	**(10,639)**	**(30,43**
Net book value at end of previous year	**48,248**	**1,715**	**3,79**
Historical cost at beginning of current year	**58,946**	**12,354**	**34,22**
Increases in historical cost—current year	826	397	1,52
Decreases in historical cost—current year	(1,705)	(20)	(79
Transfers / Reclassifications	1,214	(43)	44
Exchange rate difference—current year	—	(11)	(8
Acquisitions—Company IN	—	—	—
Historical cost at end of current year	**59,281**	**12,676**	**35,31**
Accumulated depreciation at beginning of current year	**(10,697)**	**(10,639)**	**(30,43**
Increases in accumulated depreciation—current year	(1,459)	(551)	(1,87
Decreases in accumulated depreciation—current year	219	—	78
Transfers / Reclassifications	(92)	63	(5
Exchange rate difference—current year	—	9	7
Acquisitions—Company IN	—	—	—
Accumulated depreciation at end of current year	**(12,029)**	**(11,118)**	**(31,50**
Net book value at end of current year	**47,252**	**1,559**	**3,80**

The value of **Land and Buildings** decreased compared to the previous year for the sales of one of the buildings owned by Ares at a price of €1,170 thousands, as no longer useful for the operating activity of the company. The increases are mainly due to the extraordinary maintenance works carried out on the building in Bovezzo owned by the Parent Company.

This item also includes what was incurred for the fixtures and furnishings of the Group showrooms and stores.

The increases in the **Plant and Machinery** item are related to capital expenditures made by the Parent Company (€ 130 thousand) for the machineries for the storage department and in new machineries for production, in addition to capital expenditures in new machineries and plants for production made mainly by the subsidiaries Antares Iluminacion S.A.U., Ares S.r.l. and Light Contract S.r.l., for € 267 thousand.

The increases in **Industrial and commercial equipment** refers principally to new moulds for the development and the manufacture of products, purchased by the Parent Company in the amount of € 390 thousand and by the subsidiaries Antares Iluminacion S.A.U. for € 854 thousand and Ares S.r.l. for € 200 thousand.

The increases in **Other assets** refer to purchases of furniture and furnishings, office machinery, vehicles and internal means of transport for handling and storage services, as well as to costs borne for the setting-up of the show-room in Milan.

12 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are broken down as shown in the table below:

	2017	2016
Non-current financial assets	623	594
TOTAL NON-CURRENT FINANCIAL ASSETS	**623**	**594**

The item mainly comprises the deposits on rentals paid by the Group companies as at 31 December 2017.

13 OTHER NON-CURRENT ASSETS

The following is recorded under Other non-current assets:

	2017	2016
Receivable from Tax Authorities for IRAP refund	238	238
Other tax receivables	17	1
Receivable from Municipality of Bovezzo for planning fees	—	281
Receivables from others	384	102
TOTAL OTHER NON-CURRENT ASSETS	**639**	**623**

Tax credit from Tax Authorities for IRAP reimbursement includes the amounts already disclosed in previous years and related to the holding company Arco S.p.A., then merged into the Parent Company in 2015, and refers to a reimbursement claim submitted to the Italian Tax Authorities concerning the IRAP tax for previous years and totalling € 238 thousand.

Other tax receivables for € 17 thousands represents the non current portion of a total amount of €51 thousands to be collected over a three year period.

The receivable from the Municipality of Bovezzo to the Parent Company, equal to € 281 thousand at December 2016, was referred to fees paid for works that were not carried out. 50 per cent of the amount has been collected in 2017, while the remaining part, reimbursed in March 2018, is accounted for among current assets.

Receivables from others refer mainly to the Parent Company (in the amount of € 228 thousand) for patents renewal fee paid in advance.

14 INVENTORIES

Inventories are broken down in the following table:

	2017	2016
Raw, ancillary and consumable materials	10,744	10,653
Provision for raw, ancillary and consumable materials inventory write-down	(1,563)	(1,154)
Work in progress and semi-finished products	10,498	9,683
Provision for work in progress and semi-finished products inventory write-down	(1,565)	(1,261)
Finished products and goods for resale	11,043	11,543
Provision for finished products and goods for resale inventory write-down	(1,378)	(2,011)
Advances	88	69
Goods in transit	974	949
TOTAL INVENTORIES	**28,841**	**28,470**

Inventories on hand are shown net of the provision for inventory write-down for of € 4,506 thousand detailed as follows:

- € 1,457 thousand related to the Parent Company;
- € 2,232 thousand related to the subsidiary Antares Iluminacion S.A.U.;
- € 803 thousand related to the subsidiary Ares S.r.l.;
- € 261 thousand related to other Group companies.

The changes of the provision for inventory write-down are as follows:

	PROVISION FOR INVENTORY WRITE-DOWN
BALANCE AT BEGINNING OF PREVIOUS YEAR	**4,289**
Utilisation of provision, previous year	(988)
Accruals, previous year	1,127
BALANCE AT END OF PREVIOUS YEAR	**4,427**
Utilisation of provision, current year	(1,114)
Accruals, current year	1,192
BALANCE AT END OF CURRENT YEAR	**4,506**

15 TRADE RECEIVABLES

As at 31 December 2017, trade receivables totalled € 35,188 thousand (€ 33,922 thousand as at 31 December 2016), net of the bad debt provision which amounts to € 1,645 thousand (€ 1,563 thousand as at 31 December 2016).

The following table shows trade receivables by geographical area, including the apportionment of the provision for doubtful debts by geographical area:

	2017	2016
Italy	10,563	15,573
EEC	17,868	13,123
Non-EEC	6,757	5,226
TOTAL TRADE RECEIVABLES	**35,188**	**33,922**

The changes of the provision for doubtful debts is summarised below:

	PROVISION FOR DOUBTFUL DEBTS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**1,673**
Utilisation of provision, previous year	(625)
Allowance, previous year	503
Exchange rate difference	12
BALANCE AT END OF PREVIOUS YEAR	**1,563**
Utilisation of provision, current year	(361)
Allowance, current year	466
Exchange rate difference	(23)
BALANCE AT END OF CURRENT YEAR	**1,645**

Please see below the division of trade receivables by maturity date, which does not include the provision for doubtful debts and the item Receivables in litigation:

	Total	Due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue over 120
Italy	11,315	10,408	501	186	73	85	61
EEC	17,803	14,717	1,540	942	175	169	260
Non-EEC	6,945	4,438	1,446	589	141	156	176
TOTAL TRADE RECEIVABLES	**36,063**	**29,563**	**3,486**	**1,717**	**389**	**411**	**498**

16 TAX ASSETS AND OTHER CURRENT ASSETS

16.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

Current tax credit and due from tax authorities are as follows:

	2017	2016
Receivables for tax advances paid and withholding taxes—current	930	1,743
VAT receivables—current-	2,441	2,609
Withholding tax receivables	10	2
Other tax receivables—current	17	15
TOTAL TAX CREDIT AND DUE FROM TAX AUTHORITIES	**3,397**	**4,369**

Receivables for tax advances paid and withholding taxes include the positions of the various companies with respect to local Tax Authorities for the payment of taxes, The amount, totalling € 930 thousand, refers mainly to:

- the subsidiary Flos Usa Inc. for € 428 thousand;
- the subsidiary Flos France Sas for € 426 thousand.
- the subsidiary Flos Projets Sàrl for € 60 thousand.

The item VAT receivables includes VAT receivables originated in 2017 or in previous years. The value, totalling € 2,441 thousand, is mainly attributable to:

- the Parent Company for € 260 thousand;
- the subsidiary Antares Iluminacion S.A.U. for € 1,675 thousand.

The item Other tax receivables include the short-term portion of tax credit to be used in 2018 by the Parent Company.

16.2 OTHER ASSETS

Other assets are broken down as shown in the table below:

	2017	2016
Other current assets	1,866	1,397
TOTAL OTHER CURRENT ASSETS	**1,866**	**1,397**

This item includes:

- payment in advance to suppliers: € 199 thousand by the Parent Company, € 134 thousand by Ares S.r.l. and € 88 thousand by other Group companies;
- payments in advance for taxes for the renewal of trademarks by the Parent Company, € 245 thousand;
- payment in advance made by Group companies for an amount of € 681 thousand for maintenance expenses, utilisation of software and services and of € 43 thousand for insurances;
- a receivables due by the Bovezzo Municipality for € 141 thousand referred to fees paid for works that were not carried out, collected on 14 March 2018.

17 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents as at 31 December 2017 came to a total of € 29,687 thousand and are broken down as follows:

	2017	2016
Bank and post office deposits	29,448	30,559
Cheques	18	15
Cash on hand	44	53
Total current cash and cash equivalents	**29,510**	**30,626**
Restricted cash and cash equivalents	**177**	**181**
TOTAL CASH AND CASH EQUIVALENTS AND DEPOSITS	**29,687**	**30,807**

For a detailed breakdown of the company's cash and cash equivalents, please refer to Consolidated Cash Flow statement.

18 ASSETS HELD FOR DISPOSAL

Assets held for disposal, which came to € 331 thousand, refer to a real estate property of the subsidiary Ares S.r.l. under sale negotiation.

19 SHAREHOLDERS' EQUITY

The Shareholders' equity (Group and minority interest) totalled € 430,366 thousand (€ 409,055 thousand as at 31 December 2016).

Please refer to the Consolidated statement of Changes in Shareholders' Equity for a breakdown of the changes. Please be informed that, for a more consistent disclosure, the nature of some reserves has been restated.

Adjustments resulting from consolidation led to the following differences between the financial statements for the year ending 31 December 2017 of the Parent Company and the consolidated financial statements of the Group at the same date.

	Profit/(Loss) 2017	Shareholders' Equity at 31.12.2017
Shareholders' Equity and profit/(loss) for the year of Flos S.p.A.	**21,849**	**410,050**
Shareholders' Equity and profit/(loss) for the year of consolidated companies	21,314	89,449
Consolidation adjustments on Shareholders' Equity and profit/(loss) for the year		
Cancellation of the carrying amount of equity investments	—	(99,669)
Recording of goodwill following business combinations	—	33,628
Intercompany dividends	(19,959)	—
Netting of profit in stock	332	(2,736)
Difference of exchange rate conversion and other residual effects	—	(356)
Shareholders' Equity and profit/(loss) for the year of the consolidated financial statements of Flos S.p.A.	**23,536**	**430,366**

The various items of the Group Shareholders' Equity are described hereunder.

19.1 SHARE CAPITAL

Share capital, fully subscribed and paid up, amounted to € 1,875 thousand as at the year-end date.

It consists of 13,377 thousand ordinary shares and 354 thousand shares of Category B without nominal value, and it includes the following:

- as for € 232 thousand through payments and subscriptions of shareholders;
- as for € 433 thousand through conversion of revaluation reserves;
- as for € 1,209 thousand through conversion of extraordinary reserves already entirely subjected to tax.

The Parent Company's shares are encumbered by a pledge in favour of Unicredit Bank AG, Milan Branch and Unicredit S.p.A..

19.2 OTHER RESERVES

Other reserves as at 31 December 2017 totalled € 400,020 thousand (€ 377,583 thousand as at 31 December 2016) and are broken down as follows:

	2017
Consolidation reserve	13,671
Currency conversion difference	(323)
Sundry reserves	2
Share premium reserve	20,000
Revaluation reserve	16,862
Legal reserve	500
Statutory reserves	94,225
Merger reserve	255,084
TOTAL OTHER RESERVES	**400,020**

19.3 RESERVE FOR ACTUARIAL GAINS AND LOSSES

The Reserve for actuarial gains and losses refers to the effect of discounting the employee severance indemnities (€ 218 thousand negative as at 31 December 2017), accounted to Shareholders' Equity in the Other Comprehensive Income (Expense).

19.4 CASH FLOW HEDGE RESERVE

The Cash Flow Hedge reserve has been created in 2016 and reflects the fair value of derivatives hedging the loan entered into by the Parent Company and, as at 31 December 2017, reported a negative balance of € 975 thousand, less the tax effect of € 308 thousand.

19.5 FTA RESERVE

The First Time Application (FTA) reserve, € 3,252 thousand, includes the adjustments implemented following the transition to the IAS/IFRS accounting standards.

Please also note that, as at the date these financial statements are approved, there are no dividends already resolved but not yet paid.

20 DEFINED BENEFIT PLANS

Defined benefit plans relate to the Parent Company and its Italian subsidiaries.

Please note that the amount of the employee severance indemnities provision is net of the sums allocated to INPS Treasury Complementary Scheme.

Changes are described hereunder:

	FUTURE BENEFIT PLAN
BALANCE AT BEGINNING OF PREVIOUS YEAR	**2,856**
Allocation to provision, previous year	663
Utilisation of provision, previous year	(716)
Interests from discounting, previous year	16
Actuarial profit and loss, previous year	(9)
BALANCE AT END OF PREVIOUS YEAR	**2,810**
Allocation to provision, current year	668
Utilisation of provision, current year	(616)
Interests from discounting, current year	9
Actuarial profit and loss, current year	(4)
BALANCE AT END OF CURRENT YEAR	**2,867**

Valuation of the employee severance indemnities for IAS purposes follows the projected current value of defined benefits obligation method with the estimate of benefits accrued by employees.

Following the amendments introduced by Italian Law 296 of 27 December 2006 ("Finance Act 2007") and the subsequent implementation decrees and regulations, the quotas of employee severance indemnities accrued up until 31 December 2006 will continue to remain in the company as a defined benefits plan (obligation for the benefits accrued subject to actuarial valuation), while the quotas accruing starting from 1 January 2007 will be allocated to forms of complementary pension or transferred from the company to the treasury fund managed by INPS due to the choices made by the employees during the year, emerging as defined contribution plans (no longer subject to actuarial valuation) starting from when the employee formalises his or her choice. Determination of the employee severance indemnities is therefore the result of applying an actuarial model based on several assumptions, both demographic and economic in nature.

The technical-economic bases used are shown in the following table:

	2017	2016
Annual discounting rate	0.88%	0.86%
Annual inflation rate	1.50%	1.50%
Annual employee severance indemnity increase rate	2.63%	2.62%

Please particularly note that the annual discounting rate used to determine the current value of the obligation was taken, consistent with par. 83 of IAS 19, from the Iboxx Corporate AA index recorded on the valuation date. For this purpose, the yield having a duration comparable to the duration of the collective of the Company being valued was chosen.

In line with the provisions of IAS 19, the additional information required for the defined benefit plans is provided below:

	2017	2016
Inflation rate +0.25%	2,861,981	2,836,480
Inflation rate -0.25%	2,873,699	2,746,211
Discounting rate +0.25%	2,879,747	2,730,376
Discounting rate -0.25%	2,855,575	2,853,586
Turnover rate +1%	2,848,328	2,771,139
Turnover rate -1%	2,887,415	2,812,825

21 PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The Provisions for contingencies and other charges, amounting to € 3,668 thousand, include the following:

- Provisions for pensions and similar obligations, amounting to € 1,210 thousand;
- Other provisions, amounting to € 2,458 thousand.

Changes are illustrated hereunder:

21.1 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**844**
Increases of provision, previous year	268
Actuarial profit and loss, previous year	(14)
Utilisation of provision, previous year	13
Reclassification of provision, previous year	**1,111**
BALANCE AT END OF PREVIOUS YEAR	231
Increases of provision, current year	(3)
Actuarial profit and loss, current year	(130)
BALANCE AT END OF CURRENT YEAR	**1,210**

As at 31 December 2017, the Provision for pensions and similar obligations, € 1,210 thousand, comprised the amount for agents' termination indemnity accrued in compliance with collective labour agreements applicable to agents presently in force. The amount reflects a prudent acknowledgement of the risk related to termination of agent mandates in the instances envisaged by law.

The Provision for pensions and similar obligations is subject to actuarial calculation.

21.2 OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

	OTHER PROVISIONS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**1,118**
Allocation to provision for general liabilities	1,192
Utilisation of provision, previous year	(438)
Reclassification of provision, previous year	**1,872**
BALANCE AT END OF PREVIOUS YEAR	846
Allocation to provision for general liabilities	(258)
Utilisation of provision, current year	(3)
BALANCE AT END OF CURRENT YEAR	**2,458**

The item Other provisions as at 31 December 2017, totalling € 2,458, includes the following:

- a Provision for Product Warranties, equal to € 2,139 thousand, created as from 2014 to cover the request for warranty extensions on LED products. The provision is related to:
  - the Parent Company for € 600 thousand;
  - the subsidiary Antares Iluminacion S.A.U. for € 998 thousand;
  - the subsidiary Light Contract S.r.l. for € 300 thousand;
  - the subsidiary Ares S.r.l. for € 200 thousand;
  - The subsidiary Flos Inc for €42 thousand.
- a Provision for General Liabilities for € 319 thousand, allocated to cover possible liabilities due to legal disputes, related to:
  - the Parent Company for € 65 thousand
  - the subsidiary Ares S.r.l. for € 203 thousand;
  - the subsidiary Flos Belelux NV for € 50 thousands.

22 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

	2017	2016
Current financial liabilities:		
Senior Loan Facility—current quota	707	6,487
Due to other lenders	846	618
Deferred price for Lukas acquisition	447	508
Deferred price for Flos Projets acquisition	133	—
Liabilities for IRS	—	—
Total current financial liabilities	**2,133**	**7,613**
Non-current financial liabilities:		
Senior Loan Facility—non-current quota	130,824	152,017
Due to other lenders	4,845	5,446
Deferred price for Lukas acquisition	724	1,273
Price Flos Projets acquisition	267	—
Liabilities for IRS	1,419	2,240
Total non-current financial liabilities	**138,079**	**160,975**
TOTAL FINANCIAL LIABILITIES	**140,212**	**168,588**

The *Senior Loan* payables refer to the *Senior Facility Agreement* and the *Additional Facility*, related to the Parent Company. It is specified that the amount disclosed under non-current liabilities, related to this loan, is net of charges on loan, capitalised and amortised over the duration of the loan itself, for a value of € 4,237 thousand as at 31 December 2017.

As at 31 December 2016, the available credit lines amounted to € 235 million and were used for € 164,54 million. During the year 2017 the Capex line of € 20million is ended, due to the expiry of the terms of use. Furthermore, a total of € 29.48 million were redeemed (including: € 26.67 million on a voluntary basis, and € 2.81 million of ordinary instalments). Therefore, utilisation of available credit lines amounted to € 135.06 million as at 31 December 2017.

The reconciliation of the utilisation of *Senior Loan* credit lines is shown hereunder.

	2017	2016
Senior Loan Facility—current quota	707	6,487
Senior Loan Facility—non-current quota	130,824	152,017
Amortised cost	4,237	6,895
Accrued interest	(707)	(856)
Utilisation of credit lines	**135,061**	**164,543**

The interest rates applied to the lines are based on 3-month Euribor, to which a 3.50% spread is applied for Facility A and 4.25% for Facility B and the Additional Facility.

The lines have a lifetime until December 2021.

Note that the *Senior Loan Facility* is subject to a quarterly check of the financial covenants that were fully met as at 31 December 2017. In particular:

- Interest cover ratio (EBITDA/Net cash interest expenses)
- Fixed Charge cover ratio (Cash flow/Debt service)
- Leverage ratio (Net debt/EBITDA)

The amounts due to other lenders refer mainly to what agreed by the subsidiary Antares Ilumination S.A.U. with ING Leasing of Madrid (ES) as a consequence of the purchase under capital lease of the industrial building and of the related take-over of the underlying lease. The commitment, equal to € 5,466 thousand, refers to € 2,784 thousand after 5 years (€ 622 thousand within 12 months and € 4,845 after 12 months).

The deferred price for the acquisition of Lukas Lighting Inc., totalling € 1,171 thousand as at 31 December 2017, was discounted to the rate of 4.56%.

Liabilities for IRS, equal to € 1,419 thousand, related to the negative *MTM* of derivatives as described in Note 42.

23 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are broken down as follows:

	2017	2016
Other liabilities	82	128
TOTAL OTHER NON-CURRENT LIABILITIES	**82**	**128**

The value refers to rental payables.

24 TRADE PAYABLES

Trade payables broken down by geographical area are shown below.

	2017	2016
Italy	16,962	21,866
EEC	10,497	3,749
Non-EEC	6,191	2,172
TOTAL TRADE PAYABLES	**33,650**	**27,786**

The item includes:

- trade payables to suppliers, including allocations for invoices to be received, amounting to € 28,891 thousand;
- advance payments from customers, amounting to € 3,759 thousand,

Trade payables to suppliers are broken down by maturity term as follows:

	Total	Due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue over 120
Italy	16,042	14,957	895	69	0	17	103
EEC	9,891	8,854	788	140	16	56	36
Non-EEC	3,958	3,544	320	41	3	0	50
TOTAL TRADE PAYABLES	**29,891**	**27,356**	**2,004**	**250**	**20**	**73**	**189**

25 TAX PAYABLES AND OTHER CURRENT LIABILITIES

This category includes:

- tax payables and due to tax authorities, amounting to € 2,680 thousand;
- amounts due to social security institutions, amounting to € 1,694 thousand;
- amounts due to personnel and other payables, amounting to € 7,355 thousand.

The above items are detailed in the following table.

25.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	2017	2016
Due to tax authorities for taxes	1,949	1,454
Due to tax authorities for VAT	516	501
Other tax payables	214	206
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**2,680**	**2,162**

25.2 DUE TO SOCIAL SECURITY INSTITUTIONS

	2017	2016
Due to social security authorities	1,694	1,306
TOTAL DUE TO SOCIAL SECURITY INSTITUTIONS	**1,694**	**1,306**

25.3 DUE TO PERSONNEL AND OTHER PAYABLES

	2017	2016
Due to personnel	3,243	3,480
Due for accrued vacations	1,146	961
Employee tax payables	916	859
Due to board members	872	1,237
Due for customer bonuses and other payables	1,177	1,531
TOTAL DUE TO PERSONNEL AND OTHER PAYABLES	**7,355**	**8,068**

26 REVENUES

Revenues as at 31 December 2017 amounted to € 212,562 thousand and refer to the sale of products and services.

The following table shows the breakdown by geographical area:

	2017	2016
Italy	40,240	38,045
Europe	99,001	94,423
Outside Europe	73,321	74,376
TOTAL REVENUES	**212,562**	**206,844**

27 OTHER REVENUES AND INCOME

Other Revenues and income are broken down as follows.

	2017	2016
Rents	97	118
Sundry revenues	3,364	2,319
Capital gains from disposal of assets	69	472
Contributions pertaining to current year	55	50
Provisions release	222	—
TOTAL OTHER REVENUES AND INCOME	**3,807**	**2,959**

The item Sundry revenues includes revenues from sundry services rendered, the debiting for transportation and sundry insurance reimbursements.

28 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

Purchases of raw materials and variation in inventories is broken down in the following table:

	2017	2016
Purchase of raw materials, work in progress, finished products	(64,140)	(63,481)
Purchase of promotion and advertising materials	(515)	(396)
Purchase of other miscellaneous material	(261)	(236)
Variation in work in progress inventories	1,346	605
Increases in internal work capitalised under fixed assets	97	11
Variation in inventories of raw materials	(402)	883
TOTAL PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES	**(63,875)**	**(62,613)**

29 PERSONNEL COSTS

Personnel costs is broken down in the following table:

	2017	2016
Wages and salaries	(28,468)	(26,315)
Social security contributions	(5,913)	(5,709)
Employee severance indemnities and pensions	(668)	(637)
Other personnel costs	(457)	(428)
TOTAL PERSONNEL COSTS	**(35,507)**	**(33,089)**

The headcount of Group employees as at 31 December 2017, broken down by category, follows:

	2017	2017 (average)
Flos S.p.A.		
Executives	7	6
White-collar staff	103	102
Blue-collar staff	38	39
Total Flos S.p.A. employees	**148**	**147**
Subsidiaries		
Executives	9	7
White-collar staff	289	283
Blue-collar staff	159	159
Total employees of Subsidiaries	**457**	**449**
Total Group employees	**605**	**596**

30 SERVICE COSTS

Service costs are broken down as follows:

	2017	2016
Subcontract work and services for production	(13,834)	(12,454)
Commissions, royalties, advertising and communication expenses	(14,573)	(13,280)
Transport and customs costs	(9,660)	(9,279)
Facilities, ancillary services, EDP rentals, maintenance and repairs	(2,760)	(2,638)
Technical, artistic, fiscal, legal and other advisory services	(3,849)	(3,973)
Remuneration of directors, statutory auditors and audit firm	(3,027)	(3,469)
Travel and accommodation costs	(3,485)	(3,093)
Training, subcontract personnel, banking services and other administration services	(3,367)	(4,455)
Insurance, patents and trademarks, post and telegraph	(2,139)	(2,022)
TOTAL SERVICE COSTS	**(56,694)**	**(54,662)**

31 PROVISIONS

Allocations to provisions refer to:

	2017	2016
Provisions for contingencies	(231)	(267)
Provisions for pension fund	(846)	(1,192)
TOTAL PROVISIONS	**(1,078)**	**(1,460)**

Provisions for contingencies relate:

- for € 696 thousand to cover the extended warranty on LED Products, in the Parent Company and the subsidiaries Antares Iluminacion S.A.U., Light Contract S.r.l., Ares S.r.l. and Flos Inc;
- for € 150 thousands to possible liabilities for legal disputes of Ares S.r.l. and Flos Benelux NV.

32 OTHER COSTS AND CHARGES

Other costs and charges is broken down as follows:

	2017	2016
Property rents	(2,873)	(2,692)
Rental, lease and EDP licences	(1,151)	(1,063)
Tax and sundry taxes	(523)	(543)
Membership and subscription fees, incl. Internet	(151)	(177)
Gifts and charity	(250)	(230)
Purchase of stationery and office consumables	(361)	(344)
Sundry expenses and overheads	(183)	(246)
Non-existence, contingent liabilities and other management costs	(126)	(179)
TOTAL OTHER COSTS AND CHARGES	**(5,619)**	**(5,474)**

33 AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The item Amortisation, depreciation and write-downs is broken down in the following table:

	2017	2016
Amortisation of intangible fixed assets	(3,501)	(3,121)
Depreciation of tangible fixed assets	(4,702)	(4,482)
Write-down of fixed assets	(132)	—
Write-down of receivables	(466)	(503)
TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS	**(8,801)**	**(8,106)**

34 FINANCIAL INCOME

The item Financial income is broken down as follows:

	2017	2016
Financial income from receivables recorded within fixed assets	18	37
Bank and post office interest	180	—
Other income	31	21
Exchange gains (realised and not realised)	376	822
TOTAL FINANCIAL INCOME	**604**	**880**

35 FINANCIAL CHARGES

The item Financial charges is broken down in the following table:

	2017	2016
Interest on *Senior Loan Facility*	(6,710)	(8,418)
Interest on amortised cost of ancillary *Senior Loan Facility* charges	(2,657)	(2,669)
Ancillary costs related to *Senior Loan Facility*	(783)	(906)
Financial charges due to difference on swap	(1,165)	(1,117)
Effect of employee severance indemnity discounting (IFRS)	(9)	(16)
Effect of agents' termination indemnity discounting (IFRS)	3	(2)
Interest borne on bank current account	(15)	(5)
Exchange losses (realised and not realised)	(1,414)	(796)
Other financial charges	(112)	(145)
TOTAL FINANCIAL CHARGES	**(12,864)**	**(14,074)**

Interest expenses on the *Senior Loan Facility* refer to costs paid and/or accrued in relation to the *Senior Facility Agreement* and the *Additional Facility*; for more details please see Note 22.

36 INCOME TAXES

The tax detail follows:

	2017	2016
Current taxes	(9,033)	(7,474)
Deferred and prepaid taxes	34	725
TOTAL INCOME TAXES	**(8,999)**	**(6,749)**

The tax burden for 2017, including adjustment on current, deferred or prepaid taxes recognised during the year on allocations recorded at the end of previous year, totalled € 8,999 thousand (€ 6,749 thousand as at 31 December 2016), of which current income taxes, amounting to € 9,033 thousand, and deferred taxes generating a positive effect of € 34 thousand.

The tax burden for current taxes was determined based on the taxable income arising from the profit for the year, bearing in mind the use of any prior tax losses and applying the nominal rates in effect in each country.

It should be noted that Spanish Tax Authorities are assessing the fiscal years from 2012 to 2014 at the subsidiary Antares lluminacion S.A.U. The reference Management has no reasons to deem that these assessments would entail significant future liabilities for the companies.

37 PREPAID AND DEFERRED TAXES

The following table shows the changes of prepaid and deferred taxes over the last two years (2016 and 2017).

37.1 PREPAID TAX

	TAXABLE AMOUNT	TAX RATE	Prepaid TAXES	Prepaid TAXES
Receivables for prepaid tax at beginning of previous year				**3,323**
Utilisation in previous year of prepaid taxes allocated over previous years:				
Stock provision utilisation	(93)	31.40%	(29)	(29)
Stock provision utilisation	699	27.90%	195	195
Risk provision utilisation	(49)	27.50%	(14)	(14)
Risk provision utilisation	655	27.90%	175	175
Agents leaving indemnity utilisation	150	27.90%	42	42
Bad debt provision utilisation	(168)	27.50%	(46)	(46)
Bad debt provision utilisation	275	24.00%	66	66
Flos SpA intercompany profit elimination	(2,499)	31.40%	(785)	(785)
Flos SpA intercompany profit elimination	2,772	27.90%	773	773
Antares Iluminacion SAU intercompany profit elimination	(980)	26.00%	(255)	(255)
Antares Iluminacion SAU intercompany profit elimination	1,266	25.00%	317	317
Remunerations and others	(943)	27.50%	(259)	(259)
Remunerations and others	1,027	24.00%	246	246
Cash flow hedge			462	462
Prepaid tax rate adjustment—Italy			(101)	(101)
Other			(68)	(68)
Receivables for prepaid tax provision at end of previous year				**4,042**
Utilisation in current year of prepaid taxes allocated over previous years:				
Non tax deductible forex losses	387	24.00%	93	93
Stock provision utilisation	301	27.90%	84	84
Stock provision utilisation	233	38.00%	89	89
Stock provision utilisation	124	26.53%	33	33
Risk provision utilisation	215	27.90%	60	60
Risk provision utilisation	150	24.00%	36	36
Risk provision utilisation	(100)	38.00%	(38)	(38)
Bad debt provision utilisation	161	24.00%	39	39
Bad debt provision utilisation	(168)	38.00%	(64)	(64)
Antares Iluminacion SAU intercompany profit elimination	(187)	25.00%	(47)	(47)
Ares Srl intercompany profit elimination	242	27.90%	67	67
Flos SpA intercompany profit elimination	(387)	27.90%	(108)	(108)
Remunerations and others e varie	(204)	24.00%	(49)	(49)
Tax impact on bail adjustment			(122)	(122)
Cash Flow Hedge			(197)	(197)
Other			117	117
RECEIVABLES FOR PREPAID TAX PROVISION AT YEAR END				**4,035**

37.2 DEFERRED TAXES

	TAXABLE AMOUNT	TAX RATE	DEFERRED TAXES	PROVISION FOR DEFERRED TAXES
Deferred tax provision at beginning of previous year				**41,445**
Accruals (Utilisation) in previous year of provision for deferred taxes allocated over previous years:				
Non taxable Forex gain Flos Spa	130	24.00%	31	31
Depreciation 2008 Flos Spa	(168)	27.50%	(46)	(46)
R&D costs Flos Spa	(339)	27.50%	(93)	(93)
Others			(45)	(45)
Deferred tax rate adjustment Italy and Spain			(159)	(159)
Deferred tax provision at the end of previous year				**41,132**
Accruals (Utilisation) current year				
Others			18	18
PREPAID TAX PROVISION AT END OF YEAR				**41,150**

38 THEORETICAL TAX RATE

The reconciliation between the actual tax cost included in the consolidated financial statement 2017 and the theoretical charge calculated on the basis of current Italian tax rate is the following:

	AMOUNT	TAX RATE
Pre tax income	**32,536**	
Theoretical taxes	7,809	24.00%
Increased tax adjustment	1,231	3.78%
Decreased tax adjustment	(6,000)	-18.44%
Differences vs. Italian tax rate	4,781	14.69%
Previous years taxes	7	0.02%
IRAP	1,171	3.60%
Actual taxes recognised in the Profit & Loss	**8,999**	**27.66%**

39 FEES TO DIRECTORS AND BOARD OF STATUTORY AUDITORS

The costs relating to the fees of the company bodies during 2017 are shown below:

	Remuneration
Board of Directors (including contributions)	2,483
Board of Statutory Auditors and Supervisory Boards	364
Audit firm	180
TOTAL REMUNERATION	**3,027**

40 DISCLOSURE ON RELATED PARTIES

Please refer to the Management Report for the disclosure pertaining to related parties.

It is worth noting that sales and purchases with related parties are carried out with the same terms and conditions as those prevailing in free market transactions. The open balances at year-end are not insured, do not generate interest and settlement is spot. Guarantees for receivables and payables contracted with related parties were neither given nor received. The Group did not record any impairment for receivables contracted with related parties in the year

ended 31 December 2017. This valuation is made every year, on every reporting date, by examining the financial position of the related party and the market in which the related party operates.

41 IMPORTANT EVENTS OCCURRED AFTER YEAR-END

No important events occurred during the year.

42 FAIR VALUE MEASUREMENT

The hierarchy of the fair value measurement for Group liabilities as at 31 December 2016 and 31 December 2017 is shown in the following table.

	Measurement of fair value through			
	Prices listed in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
Liabilities measured at fair value:				
2016				
Senior Loan	—	—	158,503	**158,503**
Liabilities for IRS	—	—	2,240	**2,240**
2017				
Senior Loan	—	—	131,531	131,531
Liabilities for IRS	—	—	1,419	1,419

There were no transfers between Level 1 and Level 2 during the year.

43 FINANCIAL LIABILITIES

The following table shows the characteristics of the credit lines in place as at 31 December 2017.

CREDIT LINE	EXECUTION DATE	RATE APPLIED	OPENING AMOUNT	CURRENT PAYABLES AS AT 31.12.2017	NON-CURRENT PAYABLES AS AT 31.12.2017
Line A—Amortising	25-Nov-2014	Euribor + 3.50%	45,000	—	—
Line B—Bullet	25-Nov-2014	Euribor + 4.25%	120,000	—	105,849
Revolving line	25-Nov-2014	Euribor/Libor 3.50%	20,000	—	—
Additional Facility line	22-Jun-2015	Euribor + 4.25%	30,000	—	29,212
Accrued liability				707	—
			215,000	**707**	**135,061**

The balance of € 135,061 thousand is net of the amortised cost of € 4,237 thousand.

During the year the Capex line is ended, due to expiry of the terms of use.

The Mark to Market of the two derivative financial instruments in place as at 31 December 2017 is summarised below:

SUBSCRIPTION DATE	MATURITY DATE	NOTIONAL	CURRENCY	MARK TO MARKET AS AT 31/12/2017
16-Oct-2015	2-Dec-2021	EUR	30,000	(393)
6-Mar-2015	2-Dec-2021	EUR	100,000	(1,186)

44 FAIR VALUE

The following table shows the comparison, by single class, between book value and fair value of financial instruments owned by the Group.

	BOOK VALUE		FAIR VALUE	
	2017	2016	2017	2016
Financial liabilities:				
Senior Loan	131,531	158,503	131,531	158,503
Liabilities for IRS	1,419	2.240	1,419	2,240
TOTAL FINANCIAL LIABILITIES	**132,950**	**160,743**	**132,950**	**160,743**

Management verified that the fair value of the cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the book value consequent to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is shown at the amount for which the instrument might be exchanged in a current transaction between willing parties rather than in a forced sale or a liquidation. The following methods and assumptions were used to estimate the fair value:

- Long-term receivables and loans, both fixed rate and variable rate, are measured by the Company based on parameters such as interest rates, specific risk factors for each country, individual creditworthiness of each customer and the characteristic risk of the financial project. Based on this measurement, the provisions for the losses expected on these receivables are recorded in accounting.
- The fair value of listed securities and bonds is based on the price listed on the date of the financial statements. The fair value of the unlisted instruments, such as bank loans or other financial liabilities, obligations arising from financial leasing or as other non-current financial liabilities, is estimated through the future cash flows discounted applying the current rates available for liabilities with similar terms, such as credit risk and the remaining deadlines. In addition to being sensitive to reasonably possible changes in the expected cash flows or the discount rate, the fair value of the instruments representative of capital is also sensitive to reasonably possible changes in growth rates. The measurement requires Management to use unobservable input data, illustrated above. Management regularly defines a range of reasonably possible alternatives for these significant unobservable input data and determines their impact on the total fair value.

  The fair value of the unlisted ordinary shares was estimated using the discounted cash flow model. The measurement requires Management to make certain assumptions regarding the model's inputs, including expected cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the interval can be reasonably checked and they are used in Management's estimates of the fair value for these unlisted investments.

  The fair value of the financial assets available for sale is taken from the prices listed by the market in the active markets, if available.
- The Company executes derivative financial instruments with different counterparties, which are mostly financial institutes with an assigned credit rating. The derivatives measured using valuation techniques with observable market data consist of swaps on interest rates. The models consider different inputs, including the counterparty's credit quality and the forward rates. As at 31 December 2016, the Mark-to-Market value of the derivative assets was shown net of an adjustment associated with recognition of the default risk of the counterparty in the derivative contract.

These Consolidated Financial Statements, comprising the Consolidated statement of Financial Position, Consolidated statement of Profit/Loss of the year, Consolidated statement of the Other

Comprehensive Income (Expense), Consolidated statement of changes in Shareholders' Equity, Consolidated Cash Flow Statement and Explanatory Notes, present a true and fair view of the financial position, results of operations for the year and correspond to the book entries.

Bovezzo, 29th March 2018
For the Board of Directors
The Chairman
Vitaliano Borromeo Arese

Building a better working world

Flos S.p.A.

Consolidated financial statements as at 31 December 2017

Independent auditor's report pursuant to article 14
of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Corso Magenta, 29
25121 Brescia

Tel: +39 030 2896111
Fax: +39 030 295437
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Flos S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Flos Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit/loss of the year, the consolidated statement of the other comprehensive income (expense), the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, 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 Companies of the Group 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.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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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 Flos 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 within the Group to express an opinion on the consolidated

financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Flos S.p.A. are responsible for the preparation of the Report on Operations[1] of Flos Group as at 31 December 2017, 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 Flos Group as at 31 December 2017 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 Operation is consistent with the consolidated financial statements of Flos Group as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Brescia, 9 April 2018

EY S.p.A.
Signed by: Stefano Colpani, partner

This report has been translated into the English language solely for the convenience of international readers.

[1] The Report on Operations is not included in this Offering Memorandum.

FLOS S.p.A.

Registered Offices: Via Angelo Faini 2 - 25073 Bovezzo (BS), Italy
Company Register of BRESCIA – Tax code and registration No. 00290820174
Registered at Brescia R.E.A. under no. 144607 – Reg. AEE no. IT08020000000861
Fully paid-up share Capital € 1,875,000.00
VAT no. 00290820174

Consolidated Financial Statements as at 31 December 2016

Consolidated statement of Profit/Loss of the year as at 31 December 2016

(amounts in thousands of Euro)	Notes	2016	2015
Revenues	26	206,844	178,635
Other revenues and income	27	2,959	2,336
TOTAL REVENUES		**209,802**	**180,971**
Purchases of raw materials and variation in inventories	28	(62,613)	(53,521)
Personnel costs	29	(31,599)	(27,379)
Service costs	30	(56,152)	(49,866)
Provisions	31	(1,460)	(1,303)
Other costs and charges	32	(5,474)	(4,977)
TOTAL COSTS		**(157,298)**	**(137,046)**
Amortisation, depreciation and write-downs	33	(8,106)	(7,486)
EBIT		**44,398**	**36,439**
Financial income	34	880	1,037
Financial charges	35	(14,074)	(12,928)
PROFIT/(LOSS) BEFORE TAX COMING FROM CONTINUING OPERATIONS		**31,204**	**24,548**
Income taxes	36	(6,749)	(3,063)
NET PROFIT/(LOSS) COMING FROM CONTINUING OPERATIONS		**24,455**	**21,485**
Net profit of discontinued operations			77
PROFIT/(LOSS) FOR THE YEAR		**24,455**	**21,562**
Profit/(Loss) for the year, pertaining to minority interest		1,832	1,604
Profit/(Loss) for the year, pertaining to the Group		22,623	19,958

Consolidated statement of Financial Position—Assets—as at 31 December 2016

(amounts in thousands of Euro)	Notes	2016	2015
NON-CURRENT ASSETS			
Intangible fixed assets:			
—Goodwill	9	353,766	353,766
—Other intangible fixed assets	10	148,273	148,715
Property, plant and machinery	11	57,369	57,433
Deferred tax assets	37	4,042	3,348
Non-current financial assets	12	594	611
Other non-current assets	13	623	651
TOTAL NON-CURRENT ASSETS		**564,667**	**564,524**
CURRENT ASSETS			
Inventories	14	28,470	25,899
Trade receivables	15	33,922	32,228
Tax assets and other current assets:			
—Tax credit and due from tax authorities	16.1	4,369	4,139
—Other assets	16.2	1,397	1,249
Current financial assets		45	116
Cash and cash equivalents and deposits	17	30,807	37,903
TOTAL CURRENT ASSETS		**99,010**	**101,533**
Assets held for disposal	18	342	225
TOTAL ASSETS		**664,018**	**666,282**

Consolidated statement of Financial Position—Liabilities—as at 31 December 2016

(amounts in thousands of Euro)	Notes	2016	2015
SHAREHOLDERS' EQUITY	**19**		
Share Capital	19.1	1,875	1,875
Other reserves	19.2	377,583	357,442
Reserve for actuarial gains and losses	19.3	(232)	(164)
Cash Flow Hedge reserve	19.4	(1,462)	—
FTA reserve	19.5	3,251	3,251
Profit/(Loss) for the year		22,623	19,958
TOTAL GROUP SHAREHOLDERS' EQUITY		**403,637**	**382,362**
Minority shareholders' equity		3,585	3,517
Profit/(loss) attributable to minority interest		1,832	1,604
TOTAL SHAREHOLDERS' EQUITY		**409,055**	**387,483**
NON-CURRENT LIABILITIES			
Defined benefit plans	20	2,810	2,856
Provisions for contingencies and other charges	21	2,984	1,970
Non-current financial liabilities	22	160,975	187,305
Deferred taxes	37	41,132	41,464
Other non-current liabilities	23	128	165
TOTAL NON-CURRENT LIABILITIES		**208,029**	**233,761**
CURRENT LIABILITIES			
Current financial liabilities	22	7,613	6,283
Trade payables	24	27,786	27,494
Tax payables and other current liabilities:	25		
—Tax payables and due to tax authorities	25.1	2,162	2,248
—Due to social security institutions	25.2	1,306	1,154
—Due to personnel and other payables	25.3	8,068	7,858
TOTAL CURRENT LIABILITIES		**46,935**	**45,037**
TOTAL LIABILITIES		**254,963**	**278,798**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**664,018**	**666,282**

Consolidated statement of the Other Comprehensive Income (Expense) (OCI) as at 31 December 2016

(amounts in thousands of Euro)	Notes	2016	2015
PROFIT FOR THE YEAR		**24,455**	**21,562**
Other comprehensive income (expense) that may be restated in the profit/(loss) for the year:			
Exchange difference on translating foreign financial statements		96	828
(Loss)/Net profit from cash flow hedge	19.4	(1,462)	—
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY BE RESTATED IN THE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		**(1,367)**	**828**
Total other comprehensive income (expense) that may not be restated in the profit/(loss) for the year, net of tax:			
(Profit/(Loss) from revaluation on defined benefit plans	20	(68)	44
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) THAT MAY NOT BE RESTATED IN THE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		**(68)**	**44**
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX		**(1,435)**	**872**
TOTAL COMPREHENSIVE PROFIT, NET OF TAX		**23,020**	**22,434**
Profit for the year, pertaining to the Group		21,188	20,830
Profit for the year, pertaining to minority interest		1,832	1,604

Consolidated statement of changes in Shareholders' Equity as at 31 December 2016

	2016									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserves	Employee severance indemnity discounting reserve	FTA reserve	Cash flow hedge reserve	Other reserves	Profit for the year
Balance at beginning of year	**1,875**	**20,000**	**16,862**	**500**	**51,350**	**(164)**	**3,251**	**—**	**268,730**	**19,958**
Allocation of earnings from previous year					**17,014**				**2,944**	**(19,958)**
Profit/(Loss) for the year										22,623
Other income (expense)						(68)		(1,462)	96	
Total comprehensive profit for the year	**—**	**—**	**—**	**—**	**—**	**(68)**	**—**	**(1,462)**	**96**	**22,623**
Dividends for the year										
Purchase of minority interests									89	
Other changes										
Total changes for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**89**	**—**
Balance at year end	**1,875**	**20,000**	**16,862**	**500**	**68,364**	**(232)**	**3,251**	**(1,462)**	**271,857**	**22,623**

Consolidated statement of changes in Shareholders' Equity as at 31 December 2015

	2015									
	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Statutory reserves	Employee severance indemnity discounting reserve	FTA reserve	Cash flow hedge reserve	Other reserves	Profit for the year
Balance at beginning of year	**1,875**	**—**	**16,862**	**500**	**39,731**	**(140)**	**3,251**	**—**	**4,054**	**20,905**
Allocation of earnings from previous year	**—**	**—**	**—**	**—**	**11,619**	**—**	**—**	**—**	**9,286**	**(20,905)**
Profit/(Loss) for the year										19,958
Other income (expense)						44			828	
Total comprehensive profit for the year	**—**	**—**	**—**	**—**	**—**	**44**	**—**	**—**	**828**	**19,958**
Dividends for the year										
Share capital increase		20,000								
Merger effects						(68)			255,149	
Other changes									(587)	
Total changes for the year	**—**	**—**	**—**	**—**	**—**	**(68)**	**—**	**—**	**254,562**	**—**
Balance at year end	**1,875**	**20,000**	**16,862**	**500**	**51,350**	**(164)**	**3,251**	**—**	**268,730**	**19,958**

Consolidated Cash Flow statement

	Notes	2016	2015
PROFIT FROM OPERATIONS AFTER TAX		**24,455**	**21,562**
Depreciation and impairment of tangible fixed assets	33	4,482	3,732
Amortisation and impairment of intangible fixed assets	33	3,121	3,223
Financial income	34	(880)	(1,037)
Financial charges	35	14,074	12,928
Income taxes	36	6,749	3,063
Net change in employee severance indemnities and pension funds	20	(114)	(122)
Net change in provisions for contingencies and other charges	21	1,014	532
Net change in deferred tax assets and liabilities	37	(883)	(753)
(Increase)/decrease of inventories	14	(2,571)	(321)
(Increase)/decrease of trade receivables	15	(1,694)	5,178
(Increase)/decrease of other non-financial assets	13.16	(610)	(2,529)
Increase/(decrease) of trade payables	24	292	1,464
Increase/(decrease) of tax payables	25	(6,835)	(3,821)
Increase/(decrease) of other non-financial liabilities	23.25	325	(1,883)
NET CASH FLOWS FROM OPERATIONS		**16,469**	**19,653**
Purchases of tangible fixed assets included disposal	11	(4,418)	(10,097)
Purchases of intangible fixed assets, net	10	(2,679)	(2,887)
Acquisition of subsidiaries, net of cash acquired			(54,627)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(7,097)**	**(67,611)**
(Increase)/decrease of financial receivables	12	967	(142)
Increase/(decrease) of financial payables	22	(40,537)	(5,902)
Dividends paid to minority interests		(1,566)	(1,100)
Share capital increase	19		20,000
Change in conversion reserve	19	95	7,542
Other changes in shareholders' equity	19	118	—
CASH FLOWS FROM FINANCING ACTIVITIES		**(40,923)**	**20,398**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(7,096)**	**(5,958)**
Net cash and cash equivalents at beginning of the period		37,903	43,860
Net cash and cash equivalents at end of the period		30,807	37,903

Explanatory Notes to the Consolidated Financial Statements

1 COMPANY INFORMATION

On 29 March 2017, the Board of Directors approved the Consolidated Financial Statements of Flos S.p.A. (hereinafter also "***FLOS***" or the "***Parent Company***") for the financial year ended 31 December 2016. FLOS is a joint-stock company, established and domiciled in Italy, with registered office in Bovezzo (BS), via Angelo Faini no. 2.

FLOS was incorporated in Merano, Italy, in 1962. FLOS is the leading brand in the high-end design and lighting sector. Ever since it was established, the Company has been universally recognised for the excellence of its design achieved through exclusive collaboration agreements with the best architects of the last 50 years.

Flos Group operates through four main business lines:

- the "*Design*" collection, which represents the historic core business of FLOS, developed and produced by the Parent Company in Bovezzo (BS);
- the "*Architectural*" collection, developed and produced by the subsidiary Antares Ilumination S.A.U., located in Valencia (Spain);
- the "*Custom*" collection, developed and produced by the italian subsidiary Light Contract S.r.l. in Collebeato (BS);
- the "*Outdoor*" collection, developed and produced by the italian subsidiary Ares S.r.l. in Bernareggio (MI).

1.1 IMPORTANT EVENTS OCCURRED DURING THE YEAR

In March 2016, the Parent Company adopted the Organisation, Management and Control model envisaged by Legislative Decree 231/2001, along with the adoption of a Code of Ethics and the appointment of a Supervisory Body made up of parties external to the Group.

1.2 EXTRAORDINARY OPERATIONS

The American company Lukas Lighting Inc., acquired in November 2015 by Flos Usa Inc., has been merged into Flos Usa Inc. in 2016. Moreover, in 2016 Flos Usa Inc. has concluded the purchase and the subsequent annulment of two shares previously owned by the General Manager. After this operation, the equity investment percentage in Flos Usa Inc. increased from 98.36% to 100%.

In 2016, the Italian company Ares S.r.l. has concluded the merger of its 100% subsidiary Ares Italia S.r.l., both companies unlisted with registered offices in Italy and specialised in the design, production and marketing of outdoor lamps. It should be recalled that Ares S.r.l., with registered office in Bernareggio (MI), was acquired in 2015 in view of enlarging the product range offered on the market and consolidating the "*Outdoor*" segment.

2 REPORTING STANDARDS

The consolidated financial statements of the Group were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared based on the historical cost, except for the recognition of derivative financial instruments and financial assets available for sale, which were recorded at fair value. The book value of the assets and liabilities, whose fair value is hedged and that would otherwise be recorded at amortised cost, is adjusted to take into account changes in fair value attributable to the hedged risks.

The consolidated financial statements are presented in Euro, and all amounts are expressed in thousands of Euro, unless otherwise specified.

The consolidated financial statements provide comparative information referring to the previous year.

3 CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of Flos S.p.A. and its subsidiaries as at 31 December 2016.

Control is obtained when the Group is exposed or is entitled to variable returns coming from its relationship with the investee entity and, at the same time, is able to affect these returns by exercising its power on said entity.

More specifically, the Group controls an investee if—and only if—the Group has:

- power over the investee entity (or has valid rights that give it the current ability to manage the significant activities of the investee entity);
- exposure or rights to variable returns coming from the relationship with the investee entity;
- the ability to exercise its power over the investee entity to affect the amount of its returns.

When the Group owns less than the majority of the voting rights (or similar rights), it has to consider all the significant events and circumstances in order to determine whether or not to control the investee entity, including:

- Contractual agreements with other owners of voting rights;
- Rights arising from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the events and circumstances indicate that there have been changes in one or more of the three significant elements defining control. The consolidation of a subsidiary starts when the Group obtains its control, and ends when the Group loses that same control. The assets, liabilities, revenues and costs of the acquired or transferred subsidiary during the year are included in the comprehensive income statement starting from the date when the Group obtains control and stops when the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other comprehensive income (expense) are attributed to the shareholders of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. Whenever necessary, the financial statements of the subsidiaries are appropriately adjusted in order to ensure conformity with the accounting policies of the Group. All intercompany assets and liabilities, the shareholders' equity, revenues, costs and cash flows regarding transactions between Group entities are totally eliminated during consolidation.

The changes in the shareholdings in a subsidiary that do not entail loss of control are recorded under shareholders' equity.

If the Group loses the control of a subsidiary, it has to eliminate its assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recorded on the income statement. The shareholding kept, if any, has to be recognised at fair value.

As at 31 December 2016, the consolidation perimeter was unchanged compared to 31 December 2015. The companies acquired during 2015 were considered for the entire year 2016, while in 2015 they had been consolidated only for the period beginning on their acquisition date (November 2015 for Lukas Lighting Inc. and June 2015 for Ares S.r.l. and Ares Italia S.r.l.).

Specifically, the companies of the FLOS Group, included in the scope of consolidation as at 31 December 2016, are as follows:

NAME	Share Capital as at 31.12.2016	Shareholding as at 31.12.2016	Share Capital as at 31.12.2015	Shareholding as at 31.12.2015
Antares Iluminacion S.A.U.	401	100%	401	100%
Flos Illuminacion Shanghai Co. Ltd *****	CNY 4,000	100%	CNY 4,000	100%
Antares Iluminacion Pte Ltd *****	SGD 0.1	100%	SGD 0.1	100%
Ares S.r.l.	78	100%	78	100%
Ares Italia S.r.l. **	n/a	n/a	63	100%
Flos Lighting Design (Beijing) Co. Ltd *	CNY 4,003	100%	CNY 4,003	100%
Flos Benelux NV	100	100%	100	100%
Flos B.V.	570	100%	450	100%
Euroformat S.r.l.	75	100%	75	100%
Flos GmbH	300	100%	300	100%
Flos Japan Co. Ltd	JPY 40,000	100%	JPY 40,000	100%
Light Contract S.r.l.	13	60%	13	60%
Flos Milano S.r.l	100	100%	100	100%
Flos Norge AS	NOK 1,500	55%	NOK 1,500	55%
Flos Roma S.r.l	65	100%	65	100%
Flos Sàrl	61	100%	61	100%
Flos Scandinavia A/S	DKK 1,429	55%	DKK 1,429	55%
Flos Sverige AB ****	SEK 100	55%	SEK 100	55%
Flos Usa Inc. ***	USD 390	100%	USD 432	98.36%
Lukas Lighting Inc. ***	n/a	n/a	USD 0.1	98.36%
Flos UK Ltd	GBP 136	100%	GBP 136	100%

* Note 1: Flos Lighting Design (Beijing) Co. Ltd is in liquidation

** Note 2: In 2016, Ares Italia S.r.l. has been merged into Ares S.r.l.; in 2015, this company had been acquired by Ares S.r.l., therefore, in 2015, the indirect equity investment pertaining to the Group was 100%.

*** Note 3: In 2016, Lukas Lighting Inc. has been merged into Flos Usa Inc.. Moreover, always in 2016, Flos Usa Inc. has concluded the purchase of two minority shares, which were then cancelled. Therefore, Flos S.p.A. obtained 100% ownership of Flos Usa Inc.. In 2015 Flos Usa Inc. purchased the entire shareholding in Lukas Lighting Inc., therefore, the indirect equity investment pertaining to the Group in this company was 98.36% in 2015.

**** Note 4: The shareholding in Flos Sverige AB is held by Flos Scandinavia. Consequently, the indirect equity investment pertaining to the Group is 55%.

***** Note 5: The shareholding in Flos Illuminacion Shanghai Co. Ltd and Antares Iluminacion Pte Ltd (Singapore) is entirely owned by Antares Iluminacion S.A.U. (ES), therefore the indirect equity investment pertaining to the Group is 100%.

4 SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

4.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded using the purchase method. The cost of an acquisition is determined as the sum of the transferred consideration, measured at fair value as at the date of acquisition, and of the amount of the minority interest in the acquired company. The Group decides whether to measure the minority interest in the acquired company at fair value or in proportion to the minority shareholding in the identifiable net assets of the acquired company for each business combination. The acquisition costs are paid during the year and classified as administrative costs.

When the Group acquires a business, it classifies or designates the acquired financial assets or the liabilities assumed in agreement with the contractual terms, the economic conditions and the other pertinent conditions in effect on the date of acquisition. This includes the audit, in order to determine if an embedded derivative has to be separated from the primary contract.

If the business combination is carried out in several steps, the previously held shareholding is taken back to the fair value at the date of acquisition and any resulting profit or loss is recorded on the income statement.

A potential consideration to pay is recorded by the purchaser at the fair value at the date of acquisition. The change in fair value of the potential consideration classified as asset or liability, such as a financial instrument covered by *IAS 39—Financial instruments: recognition and measurement*, has to be recognised on the income statement or on the statement of the other comprehensive income (expense). In those cases in which the potential consideration does not fall within the scope of IAS 39, it is measured according to the appropriate IFRS. If the potential consideration is classified under shareholders' equity, its value is not recalculated and its subsequent payment is recorded in shareholders' equity.

Goodwill is initially recognised at the cost represented by the surplus of the whole of the consideration paid and the amount recorded for the minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the acquired net assets exceeds the whole of the consideration paid, the Group once again checks whether it has correctly identified all the acquired assets and all the assumed liabilities and reviews the procedures used to determine the amounts to be recorded at the date of acquisition. If the new evaluation again shows that the fair value of the net acquired assets is higher than the consideration, the difference (profit) is recorded on the income statement.

After the initial recognition, Goodwill is measured at cost net of the accumulated impairment. In order to test impairment, Goodwill acquired in a business combination is allocated, starting from the date of acquisition, to each cash generating unit of the Group for which benefits from the synergies of the combination are expected, regardless of the fact that other assets or liabilities of the acquired entity are assigned to these units.

If Goodwill has been allocated to a cash generating unit and the entity disposes of part of the assets of this unit, Goodwill associated with the assets disposed of is included in the book value of the asset when the profit or loss of the disposal is determined. The Goodwill associated with the asset disposed of is calculated on the basis of the values regarding the asset disposed of and of the part of the cash generating unit kept.

4.2 CURRENT/NON-CURRENT CLASSIFICATION

Assets and liabilities on the Group financial statements are classified according to the current/non-current criterion.

An asset is current when:

- it is assumed to be realised, or held for sale or consumption, in normal execution of the operational cycle;
- it is mainly held to be traded;
- it is assumed to be realised within twelve months from the date the financial year ends; or
- consists of cash and cash equivalents unless its trading or use has been prohibited for settling a liability for at least twelve months from the date the financial year ends.

All the other assets are classified as non-current.

A liability is current when:

- its settlement is expected during its normal operational cycle;
- it is mainly held to be traded;
- it has to be settled within twelve months from the date the financial year ends; or
- the entity has no unconditional right to defer settlement of the liability for at least twelve months from the date the financial year ends.

The Group classified all the other liabilities as non-current.

Assets and liabilities for prepaid and deferred taxes are classified as non-current assets and liabilities.

4.3 CONVERTING FINANCIAL STATEMENTS STATED IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

The rules for converting the financial statements of the subsidiaries stated in a currency other than the Euro are:

- assets and liabilities are converted using the exchange rates at the date of reference of the consolidated financial statements (31 December);
- costs and revenues are converted at the average exchange rate of the period;
- the reserve "Currency conversion difference" contains both the exchange rate differences generated by the conversion of the economic figures at a rate other than the end date rate and those generated by converting the opening shareholders' equities at an exchange rate other than the end date rate for the reporting period;
- Goodwill and adjustments coming from the fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the period end date exchange rate.

The exchange rates applied when converting asset and liability balances into a currency other than Euro as at 31 December 2016 and 31 December 2015, as well as the average rates for the period 1 January – 31 December 2016 and 1 January – 31 December 2015 are:

		2016		2015	
		EXCHANGE RATE – YEAR END	AVERAGE EXCHANGE RATE	EXCHANGE RATE – YEAR END	AVERAGE EXCHANGE RATE
CNY	China Renminbi	7.320	7.352	7.061	6.973
DKK	Danish Kroner	7.434	7.445	7.463	7.459
GBP	Pound Sterling	0.856	0.819	0.734	0.726
JPY	Japanese yen	123.400	120.197	131.070	134.314
NOK	Norwegian Kroner	9.086	9.291	9.603	8.950
USD	United States Dollar	1.054	1.107	1.089	1.110

4.4 MEASUREMENT OF FAIR VALUE

The Group measures the non-financial assets at fair value at every year end.

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market operators at the date of measurement.

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way.

Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Group uses measurement techniques that are adapted to the circumstances and for which there are sufficient data available for measuring the fair value while maximising the use of significant observable inputs and minimising the use of non-observable inputs.

All assets and liabilities, for which the fair value is measured or stated in the financial statements, are classified based on the fair value hierarchy, as described below:

- Level 1—The listed (not adjusted) prices in active markets for identical assets or liabilities to which the entity can gain access on the date of measurement;
- Level 2—Inputs other than the listed prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3—Measurement techniques for which the input data are not observable for the asset or liability.

The measurement of fair value is entirely classified in the same level of the fair value hierarchy in which the lowest hierarchy level input used for the measurement is classified.

For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether any transfers between the hierarchy levels have occurred and reviews the classification (based on the lowest level input, which is significant for the purpose of measuring the fair value in its entirety) at every year end.

The Group determines the classes of assets and liabilities based on the type, characteristics and risks of the asset or liability, and the hierarchy level of the fair value as described above, when disclosing information on the fair value.

4.5 RECOGNITION OF REVENUES

Revenues are recognised to the extent in which it is probable that the Group achieves the economic benefits and the relevant amount can be reliably determined, regardless of the date of collection. The revenues are measured at the fair value of the consideration received or to be received, taking into account the contractually defined terms of payment and leaving out taxes and duties. The Group has concluded that it is operating on its own behalf in all contracts of sale since it is the primary debtor, has discretionary power over pricing policy and is also exposed to inventory risk and credit risk.

The following specific recognition criteria must also be followed when recognising revenues:

4.5.1 SALE OF GOODS

The revenue is recognised when the company has transferred all significant risks and benefits connected with ownership of the good to the purchaser, which is usually the date the good is delivered.

The revenue is measured at the fair value of the consideration received or to receive, after returns and allowances, trade discounts and reductions of volume. The Group provides a two-year warranty on repair, in line with industry practices. A liability is recognised when the product has been sold. The Group does not give customers other warranties or maintenance contracts.

4.5.2 RENTS

Rents coming from investment property are recognised on a straight-line basis along the duration of the lease agreements in force on the reporting date, and are classified as revenues, taking their operational nature into account.

4.6 INCOME TAXES

4.6.1 CURRENT TAXES

Current tax assets and liabilities of the year are measured for the amount expected to recover from or pay to the tax authorities. The rates and tax regulations used to calculate the amount are those issued, or basically in effect, on the year-end date in the countries where the Group operates and generates its taxable income.

Current taxes regarding elements directly recorded in shareholders' equity are also recorded in shareholders' equity and not in the year's profit/(loss) statement. Management periodically assesses the position taken in the income tax return in those cases in which the tax laws are subject to interpretations and, where appropriate, allocates provisions.

As from the financial year ended 31 December 2016, the Parent Company FLOS adhered, for the IRES tax purpose, to the Italian tax consolidation regime as consolidating company, pursuant to Articles 117-129 of the Presidential Decree 917/86, together with the Italian subsidiaries Ares S.r.l., Light Contract S.r.l., Flos Milano S.r.l., Euroformat S.r.l. and Flos Roma S.r.l.. To this purpose, a special agreement was signed with each fiscally consolidated company to govern the tax balances transferred. The adhesion to the regime involves the calculation of one Group single taxable basis referred to the consolidating company. As a result, all equity items related to said tax were stated as intercompany relations and not under tax receivables/payables, as well as in the income statement under consolidation income and/or costs and not under item IRES tax.

4.6.2 DEFERRED TAXES

Deferred taxes are calculated by applying the liability method to the temporary differences between the asset and liability tax values and the corresponding financial statement values at the reporting date.

Deferred tax liabilities are recognised on all taxable temporary differences with the following exceptions:

- deferred tax liabilities originate from the initial recognition of goodwill or either an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be controlled, and it is probable it does not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences of unused tax credits and losses that can be carried forward to the extent it is probable that sufficient future taxable income will be available that can permit use of the deductible temporary differences and tax credits and losses carried forward, except the cases in which:

- deferred tax assets connected with the deductible temporary differences originate from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent it is probable that they will be reversed in the foreseeable future and that there is sufficient taxable income to permit recovery of these temporary differences.

The carrying amount of the deferred tax assets is reviewed every year-end date and reduced to the extent it is no longer probable that sufficient taxable income, so as to permit whole or partial use of this credit, will be available in the future. Deferred tax assets not recognised are reviewed

at every year-end and are recognised to the extent in which it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured based on the tax rates expected to be applied in the year in which these assets will be realised or these liabilities will be settled, considering the current rates and those enacted, or basically in force, as at the financial statement date.

Deferred taxes regarding elements recognised outside the income statement are also recognised outside the income statement, therefore in the shareholders' equity or in the comprehensive income statement, consistent with the element to which they refer.

Deferred tax assets and liabilities are offset where there is a legal right that permits offsetting current tax assets and liabilities, and the deferred taxes refer to the same taxpayer and to the same tax authority.

Tax benefits acquired following a business combination, but that do not meet the criteria for separate recognition as at the date of acquisition, may be recognised afterwards, when new information on the changes in events and circumstances is obtained. The adjustment is recognised as reduction of the goodwill (until the goodwill value is reached) in the case in which it is recognised during the measurement period, or in the income statement if recognised afterwards.

4.6.3 INDIRECT TAXES

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as the value-added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognised as part of the purchase cost of the asset or part of the cost recorded in the income statement;
- Trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to recover from or pay to the tax authority is included in the financial statements as a receivable or a liability.

4.7 ASSETS HELD FOR DISPOSAL

The Group classifies the non-current assets and the divested groups as held for distribution to the shareholders of the parent company if their book value will be mainly recovered with a sale transaction, instead of through their ongoing use. These non-current assets and divested interests, classified as held for sale, are measured at the book value or the fair value net of sale costs, whichever is less. Sale costs are the additional costs directly attributable to sale, not including financial charges and taxes.

The condition for classification as held for sale is considered met only when the sale is highly probable and the divested asset or interest is available for immediate sale in its present conditions. The actions required for completing the sale should indicate that it is improbable that significant changes in the sale might occur or that the sale cancelled. Management must be engaged in the sale, whose completion should be planned within one year from the date of classification.

The depreciation of property, plant and machinery and amortisation of the intangible fixed assets ceases when they are classified as available for sale.

The assets and liabilities classified as held for sale are presented separate under the current financial statement items.

A divested asset is classified as a discontinued operation if it is part of an entity that has been discontinued or is classified as held for sale, and:

- it represents an important independent branch of activity or a geographical area of activity,

- it is part of a single coordinated plan to discontinue an important independent branch of activity or a geographical area of activity,
- it is a subsidiary acquired only in order to be resold.

The assets held for sale are not included in the result of operating activities and are disclosed in the *Consolidated income statement for the year* on one single line, under *Net profit of the discontinued operations*. More information is provided in Note 18. All the other Explanatory Notes include amounts concerning continuing operations, unless otherwise specified.

4.8 PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are measured at purchase cost or production cost, net of the accumulated depreciation and any accumulated impairment. The cost includes all charges directly borne to prepare the assets for being used, and any disposal or removal costs that will be incurred as a result of contractual obligations that require the asset to be brought back to its original conditions. Any interest expense borne for the acquisition, production or construction of the property, plant and machinery is capitalised on the value of the relevant asset, until it is available for use.

The costs borne for routine and/or periodic maintenance and repairs are directly charged to the income statement for the year in which they are borne. The costs pertaining to expansion, modernisation or improvement of the structural elements owned or used by third parties are capitalised only within the limits in which they meet the requirements to be separately classified as an asset or a part of an asset applying the component approach criterion. Likewise, costs to replace identifiable components of complex goods are charged to asset in the financial statement and are depreciated based on their estimated useful life. The residual recognition value of the component replaced is charged to the income statement.

The recognition value of the property, plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the date when the asset is available and ready for use, depending on the estimated useful life. In particular, depreciation is booked starting from the year when the asset is available for use, or is potentially able to provide the economic benefits associated with it and are charged annually on a straight-line basis, with 50% reduction the first year, by using rates that allow the assets to be depreciated until the useful life is depleted or, for disposals, until the last month of use.

The annual depreciation rates representing the estimated useful life for tangible fixed asset categories are:

	DEPRECIATION RATE
Land and buildings:	
Buildings	3%
Commercial property	10%
Light buildings	10%
Plant and machinery:	
Automatic machinery	15.5%
General / Specific / Special equipment	10% – 15% – 30%
Industrial and commercial equipment:	
Moulds and equipment	25%
Furniture for showroom and fair	12%
Other assets:	
Furniture for office	12%
Office machines	20%
Vehicles and internal means of transport	20%
Cars	25%

Note that the rates remained unchanged since 2015.

The useful life of the tangible assets and the residual value are reviewed and updated, where applicable, at the end of each year.

If the depreciated asset consists of distinctly identifiable elements whose useful life significantly differs from that of the other parts making up the asset, depreciation is carried out separately for each of the parts forming the asset in application of the component approach principle.

The profits and losses arising from transfers or disposals of assets are calculated as the difference between the revenue from sale and the net book value of the asset disposed of or transferred, and are charged to the income statement of the pertinent year.

Leasehold improvements are classified in tangible fixed assets in line with the nature of the cost borne. The depreciation period coincides with the residual useful life of the tangible fixed asset or the residual duration of the lease contract, whichever is the shortest.

Land is not depreciated.

4.8.1 LEASEHOLD ASSETS

Assets held by way of financial leasing contracts, through which the risks and benefits tied to the property are basically transferred to the Group, are recognised as tangible fixed assets at their current value or, if less, at the current value of the minimum payments due for the leasing. The corresponding amount due to the lessor is shown amongst the financial liabilities on the financial statements. The assets are depreciated applying the criterion and rates previously specified for tangible fixed assets, unless the duration of the leasing contract is less than the useful life represented by said rates and there is no reasonable certainty of the transfer of ownership of the leased asset upon natural expiration of the contract; in that case, the depreciation period will be represented by the duration of the leasing contract. The cost of the rental fee is broken down into its components: financial cost, booked to the income statement; and repayment of the capital, recognised as reduction of the financial liability.

The rentals in which the lessor basically retains the risks and benefits tied to ownership of the assets are classified as operational leases. Costs referring to operational leases are linearly recorded in the income statement along the duration of the leasing contract.

4.9 OTHER INTANGIBLE FIXED ASSETS

The other intangible fixed assets acquired separately are initially recognised at cost, while those acquired through business combination transactions are recognised at fair value as at the date of purchase. Intangible fixed assets are recognised at cost net of the accumulated amortisation and any accumulated impairment following the initial recognition. Intangible fixed assets produced in-house, except for development costs, are not capitalised, and are recognised on the income statement of the year in which they are incurred.

The useful life of the intangible fixed assets is evaluated as definite or indefinite.

Intangible fixed assets with definite useful life are amortised along their useful life and are tested for appropriateness of the value every time there are indications of a possible impairment. The amortisation period and amortisation method of an intangible fixed asset with definite useful life is reconsidered at least at the end of each year. The changes in the expected useful life or the methods with which the future economic benefits tied to the asset will be realised are found through the change of the period or of the amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation quotas of the intangible fixed assets with definite useful life are recognised on the profit/(loss) statement of the year in the cost category consistent with the function of the intangible asset.

The intangible fixed assets with indefinite life are not amortised, but undergo impairment testing every year both individually and on the cash generating unit level. Estimation of the indefinite useful life is reviewed each year to determine whether this attribution continues to be sustainable. Otherwise, the change from indefinite useful life to definite useful life is applied prospectively.

Profits or losses coming from elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognised on the profit/(loss) statement of the year in the year when elimination occurs.

4.9.1 RESEARCH AND DEVELOPMENT COSTS

Research costs are charted to the income statement of the year in which they are incurred. The development costs incurred regarding a certain project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset so it is available for use or sale;
- the intention of completing the asset and its capability of using it or selling it;
- the methods with which the asset will generate future economic benefits;
- the availability of resources for completing the asset;
- the ability to reliably measure the cost attributable to the asset during development;
- the ability to use the generated intangible asset.

The development assets are measured at cost less the amortisation or accumulated impairment following the initial recognition. Amortisation of the asset begins when the development is completed and the asset is available for use. The development assets are amortised with reference to the period of the expected benefits and the relevant amortisation quotas are included in the cost of the sold product.

The asset is tested for impairment each year during the development period.

4.9.2 TRADEMARKS, LICENSES AND SIMILAR RIGHTS

Amortisation of the licenses is calculated with the straight-line method in order to allocate the cost borne for acquiring the right along the period of either that of expected use and the duration of the relevant contracts, whichever is shorter, starting from the moment when the acquired right becomes exercisable. Software licenses are amortised on a straight-line basis over the period deemed representative of the relevant useful life, i.e. 5 years.

The amortisation rates of the other intangible fixed assets are summarised below.

	AMORTISATION RATE
Development costs	33%
Patents and intellectual property rights	20% – 33%
Software licenses	20%
Trademark registration	10%

Note that the rates remained unchanged since 2015.

4.9.3 TRADEMARK

The trademark "FLOS" has been recorded in 2015, after the purchase price allocation exercise of the goodwill arising from acquisition of Flos group by Padme S.p.A. and after the reverse merger of Padme S.p.A. and Arco S.p.A. into the Parent Company. Particularly, the "FLOS" trademark has

been identified as the (sole) intangible asset complying with the requirement of the IAS 38 for disclosure in the financial statements and its value has been determined in € 143,500 thousand based on an independent expert's appraisal, by applying the "relief from royalties" method.

The "FLOS" trademark, was considered an asset with indefinite useful life, and hence not amortised since:

- it plays a priority role in Group strategy and is one of its drivers of primary value;
- in its concept of organised tangible assets and organisation itself in the broad sense, the corporate structure is strongly related to and dependent on the spread and development of the trademark in the markets;
- the brand is proprietary, properly registered and constantly protected from the regulatory viewpoint, with options to renew the legal protection upon expiration of the registration periods that are non-onerous, easy to implement and without external impediments;
- the products that the Group markets under said trademark are not subject to particular technological obsolescence, as is however characteristic for the "luxury" market in which the Group operates, and in fact the market perceives them as constantly innovative and fashionable, so much so that they are considered to be models for imitation or inspiration;
- the trademark is distinguished nationally and/or internationally by a market positioning and reputation such as to ensure its pre-eminence in the respective market segments as it is constantly associated and compared with the trademarks of absolute reference.

As at 31 December 2016, a separate impairment test was performed on the trademark in order to assess the consistency of values recorded in the financial statements with the criteria described later in this document.

4.10 FINANCIAL ASSETS

4.10.1 INITIAL RECOGNITION AND MEASUREMENT

When first recognised, the financial assets are classified as financial receivables and assets available for sale, as the case may be.

All financial assets are initially recognised at fair value, added to which are the transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value recorded in the income statement.

4.10.2 SUBSEQUENT MEASUREMENT

Financial assets are classified in two categories for subsequent measurement:

- Receivables;
- Financial assets available for sale.

4.10.2.1 RECEIVABLES

Receivables are non-derivative financial assets with fixed or determinable payments, not listed in an active market. Following the initial recognition, these financial assets are then measured at amortised cost, using the effective interest rate method, after deducting impairment losses. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that form an integral part of the effective interest rate. The effective interest rate is recognised as financial income in the profit/(loss) statement of the year. Write-downs resulting from impairment losses on financial receivables and trade receivables are recognised as allocations to provisions.

4.10.2.2 FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale comprise shares and debt securities. Shares classified as available for sale are those that have not been classified as held for trading or designated at fair value in the income statement. Debt securities falling within this category are those held for an indefinite period and those that could be sold in response to the needs for liquidity or to a change in the market conditions.

Following initial recognition, the financial assets available for sale are measured at fair value and their unrealised gains and losses are recognised as other comprehensive income (expense), in the assets available for sale reserve, until the investment is eliminated—when the accumulated gain or loss is recorded amongst the other operating income or charges—or until an impairment emerges—when the accumulated loss is reversed from the reserve and reclassified in the year's profit/(loss) statement under financial charges.

4.10.3 CANCELLATION

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is cancelled in the first place (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinct, or
- the Group has transferred part of the right to receive cash flows from the asset to a third party or has taken on the contractual obligation to pay them in full and without delay and (a) has essentially transferred all the risks and benefits of the ownership of the financial asset, or (b) has neither transferred nor retained essentially all the risks and benefits of the asset, but has transferred its control.

In the cases in which the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership. If it has neither transferred nor essentially retained all the risks and benefits, or has not lost control over it, the asset continues to be recognised in the financial statements to the extent of its residual involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the remaining rights and obligations pertaining to the Group.

4.10.4 IMPAIRMENT OF FINANCIAL ASSETS

The Group checks whether a financial asset or group of financial assets has sustained impairment on every reporting date. An impairment exists when one or more events occur (when "a loss event" takes place) that have an impact on the future estimated cash flows of the financial asset, an impact that can be reliably estimated. The evidence of impairment can include information that a debtor or a group of debtors are in a situation of financial difficulty, inability to meet obligations, inability or delays in the payment of interest or of important payments, probability of being subject to bankruptcy procedures or other forms of financial restructuring, and observable data that indicate a measurable decrease in the future estimated cash flows as changes in contexts or in the economic conditions that are connected with financial crises.

4.10.5 FINANCIAL ASSETS AVAILABLE FOR SALE

The Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets available for sale on every reporting date.

In the case of capital assets, classified as available for sale, the objective evidence would include a significant decrease, or a decrease for an extended period, of the fair value of the asset below its cost. The term 'significant' is assessed with regard to the original cost of the asset, and the term 'extended' with regard to the period in which the fair value remains below the original cost. Where there is evidence of impairment, the accumulated loss—measured by the difference between the cost of purchase and the current fair value, less the losses due to reduced value of that financial asset previously recorded in the statement of profit/(loss) for the year—is reversed from the statement of the other comprehensive income (expense) and recorded in the statement of profit/(loss) for the year.

Impairment on instruments representing capital is not restored with effect recognised in the income statement; the increases in their fair value after the reduction in value are recognised directly on the comprehensive income statement.

4.11 FINANCIAL LIABILITIES

4.11.1 INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the income statement, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, added to which—as in the case of loans and payables—transaction costs directly attributable to them.

The Group's financial liabilities include trade payables and other payables, loans, including current account overdrafts, and derivative financial instruments.

4.11.2 SUBSEQUENT MEASUREMENT

Measurement of the financial liabilities depends on their classification, as described below:

4.11.2.1 FINANCIAL LIABILITIES AT FAIR VALUE RECOGNISED IN THE INCOME STATEMENT

Financial assets at fair value with changes recognised in the income statement comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recorded in the income statement.

Liabilities held for trading are all those incurred for the purpose of reselling them in the short term. This category also includes the derivative financial instruments underwritten by the Group that are not designated as hedging instruments as defined by IAS 39. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on the liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition only if the criteria of IAS 39 are met. At the time of initial recognition, the Group has not designated financial liabilities at fair value with changes recognised in the income statement.

4.11.2.2 LOANS AND RECEIVABLES

Following the initial recognition, loans are measured with the amortised cost criteria using the actual interest rate. Profits and losses are booked in the income statement when the liability is settled, in addition to through the amortisation process.

The amortised cost is calculated by recognising the discount or premiums on the purchase and the fees or costs that are an integral part of the actual interest rate. Amortisation at the actual interest rate is included amongst the financial charges in the profit/(loss) statement.

This category generally includes receivables and interest-bearing loans.

4.11.3 CANCELLATION

A financial liability is cancelled when the obligation underlying the liability is met, cancelled or honoured. Where an existing financial liability is replaced by another of the same lender, at basically different conditions, or the conditions of an existing liability are basically altered, this exchange or change is treated as an accounting cancellation of the original liability, accompanied by recognition of a new liability with recognition in the statement of profit/(loss) for the year of any differences between the book values.

4.11.4 OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and liability can be offset and the net balance can be shown on the statement of financial position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.

4.12 DERIVATIVE FINANCIAL INSTRUMENTS

4.12.1 INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Group uses derivative financial instruments, including swaps on interest rates to hedge the interest rate risk. These derivative financial instruments are initially recognised at fair value on the date when the derivative contract is signed, and afterwards they are measured again at fair value. The derivatives are booked as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any possible profit or loss resulting from changes in fair value of derivatives are recognised directly to income statement, except for the effective portion of cash flow hedging, which is recognised in the other comprehensive income (expense) and then restated in the statement of profit/(loss) for the year, when the hedging instrument affects the profit or the loss.

For the purpose of hedge accounting, hedging is classified as fair value hedging, if it is related to the risk of fair value changes in the underlying assets or liabilities or to an unrecognised irrevocable commitment.

At inception of a hedging operation, the Group defines and formally states both the hedging relation on which it intends to apply the hedge accounting, its targets in the risk management and the pursued strategy. The documents include the identification of the hedging instrument, the hedged element or operation, the kind of risk and the modalities with which the company intends to evaluate the effectiveness of the hedging with respect to the exposure to changes in fair value of the hedged element or of cash flows related to the hedged risk. This hedging is expected to be highly effective with respect to the exposure of the hedged element to changes in fair value or cash flows related to the hedged risk. The hedging is measured on a continuous basis to determine whether this hedging is really highly effective in the financial years for which it was designated as hedging operation.

Transactions that meet the rigorous criteria for hedge accounting are accounted for as follows:

4.12.2 FAIR VALUE HEDGING

The change in fair value of hedging derivatives on interest rates is recognised in the statement of profit/(loss) for the year, under financial charges. The change in fair value of hedging

instruments, attributable to the hedged element is recognised as a portion of the carrying amount of the hedged element and it is also recognised in the statement of profit/(loss) for the year, under financial charges.

As regards fair value hedges related to elements recognised at amortised cost, each single adjustment of the book value is amortised in the statement of profit/(loss) for the year, with the effective interest rate method, over the residual period until maturity. Amortisation determined in this way can start as soon as there is an adjustment, but not after the date in which the hedged elements cease to be adjusted in relation to fair value changes attributable to the hedged risk.

If the hedged element is cancelled, the non-amortised fair value is immediately recognised in the statement of profit/(loss) for the year.

When a commitment, which is irrevocable and not recorded, is designated as hedged element, the following cumulated changes in its fair value, attributable to the hedged risk, are accounted for as assets or liabilities, and the corresponding profits or losses are recognised in the statement of profit/(loss) for the year.

Two Interest Rate Swap contracts are in place with the Parent Company, intended to hedge the risk of fair value changes in the loan described hereunder.

4.13 INVENTORIES

Inventories are measured at cost or the estimated net realisable value, whichever is less.

The costs borne to take each asset to the place and in the current conditions are recognised as follows:

- The cost of the inventories is based on the weighted average cost method;
- The cost of production is determined by including all costs directly chargeable to the products, the production overhead costs, defined based on the normal production capacity, leaving out the financial charges.

For the portion of inventories deemed no longer economically usable, or with an estimated realisable value lower than the cost recorded in the financial statements, a special provision for depreciation is allocated.

4.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses possible existence of indicators of impairment of the assets on every year-end date. In this case, or in the cases in which an annual check of the impairment is required, the Group estimates the recoverable value. The recoverable value is either the fair value of the asset or cash generating unit, net of the selling costs, and its value of use, whichever is higher. The recoverable value is determined for every single asset, except when this asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has sustained impairment and is written down, as a result, until it is taken back to the recoverable value.

In determining the value of use, the Group discounts the estimated future cash flows to the current value using a pre-tax discount rate that reflects the market valuations of the current value of the money and the specific risks of the asset. In determining the fair value net of the selling costs, recent transactions carried out on the market are taken into consideration. If it is impossible to identify these transactions, an adequate valuation model is used. These calculations are corroborated by appropriate valuation multipliers, prices of listed equity shares for investees whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations prepared separately for each cash generating unit of the Group on which individual assets are allocated. These budgets and forecast calculations usually cover a five-year period. In the case of longer periods, a long-term growth rate is calculated, which is used to project the future cash flows beyond the fifth year.

The impairment of continuing operations, including impairment of inventories, is recorded in the statement of profit/(loss) for the year in the cost categories consistent with the intended use of the asset that showed the impairment. Previously revalued fixed assets, where the revaluation was booked in the other comprehensive income (expense), are an exception to the rule. In these cases, the impairment is in turn recognised in the other comprehensive income (expense), to the extent of the previous revaluation.

For the assets other than goodwill, at each year end the Group assesses any existence of indications of previously recognised impairment ceasing (or reducing), and if these indications exist, it estimates the recoverable value of the asset or CGU. The value of a previously written down asset can be reinstated only if there have been changes in the assumptions on which the calculations of the determined recoverable value are based after the last impairment has been recognised. The write-back cannot exceed the book value that would have been determined, net of amortisation or depreciation, in the case in which no impairment had been recognised in previous years. This write-back is recognised in the statement of profit/(loss) for the year unless the fixed asset has been booked at revalued value, and, in that case, the write-back is treated as an increase due to revaluation.

The following criteria are used for booking impairment regarding specific types of assets:

4.14.1 GOODWILL

Goodwill undergoes impairment testing at least once a year (on 31 December) and more frequently when circumstances lead to the opinion that the recognition value might be subject to impairment.

The impairment of the goodwill is determined by measuring the recoverable value of the cash generating unit to which goodwill refers. Where the recoverable value of the cash generating unit is lower than the book value of the cash generating unit to which the goodwill has been allocated, an impairment is recognised. The reduction of the goodwill value cannot be restored in future years.

4.14.2 TRADEMARK

The intangible fixed assets with indefinite useful life such as the "FLOS" trademark undergo impairment testing at least once a year with reference to 31 December on the cash generating unit level and when circumstances indicate that there may be impairment.

4.15 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents and short-term deposits include cash on hand and demand deposits and short-term deposits with due date not beyond three months.

For the purpose of representation on the consolidated cash flow statement, the cash and cash equivalents are represented by the cash and cash equivalents as defined above, less the bank overdrafts.

4.16 OWN SHARES

Repurchased own shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of own shares do not give rise to any profit or loss in the income statement. The difference between the purchase value and the consideration, in case of reissue,

is recorded in the share premium reserve. If options on shares are exercised during the period, they are satisfied with own shares.

4.17 PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The Group recognises provisions for contingencies and other charges when:

- it has a legal or implicit obligation to third parties arising from a past event;
- it is probable that use of Group resources will become necessary in order to fulfil the obligation;
- a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at current value if the financial element (time value) is significantly appreciable by using a discount rate that reflects the specific risks of the liabilities. When discounting back, the increase in the provision due to the lapse of time is recorded as a financial charge. The changes in estimate are reflected in the income statement of the period in which the change took place.

4.18 PENSION FUNDS AND OTHER BENEFITS FOLLOWING EMPLOYMENT

The Group companies recognise a number of forms of defined benefit pension plans that are in line with the conditions and practices commonly applied in the countries where they carry on their activities.

The defined benefit pension plans, including the employee severance indemnities due, in Italy, to employees pursuant to Art. 2120 of the Italian Civil Code, are based on the working life of the employees and on the remuneration the employee receives during a predetermined period of service.

More specifically, the liability representing the amount the Group companies owe to their employees is recognised in the financial statements based on its actuarial value since it can be considered as an employee benefit due based on a defined benefit plan. Recognition of the defined benefit plans in the financial statements requires the estimate, using actuarial techniques, of the amount of the benefits accrued by the employees in exchange for the work activity provided during the current year and in previous years and the discounting of these benefits in order to determine the current value of the commitments of the Group companies. The current value of these commitments is determined with the "projected unit credit method". This method, which falls within the more general scope of techniques regarding the "accrued benefits", considers every period of service provided by the workers at the company as a unit of additional right. The actuarial liability must therefore be quantified on the basis of only the seniority accrued on the date of valuation. Therefore, the total liability is usually apportioned based on the ratio between the years of service accrued on the date of reference of the valuations and the seniority reached as a whole at the time estimated for liquidation of the benefit. Moreover, the aforesaid method requires considering the future remuneration increases due for any reason (inflation, career, contractual renewals, etc.) up until the time employment ends.

The cost accrued during the year regarding the defined benefit plans and recorded in the income statement as personnel costs is the sum of the current average value of the rights accrued by the workers present for the activity provided during the year and the annual interest accrued on the current value of the commitments of the Group companies at the beginning of the year, calculated using the discounting rate of the future disbursements adopted to estimate the liability at the end of the previous year. The actuarial gains and losses state the effects of the differences between the prior actuarial assumptions and what actually occurred and the effects of the changes in the actuarial assumptions. These actuarial gains and losses are recognised in the statement of comprehensive profit.

Following the Complementary Pension Scheme Reform, as amended by Italian Finance Act 2007 and subsequent decrees and regulations issued in the early months of 2007, starting from 1 January 2007 the accruing employee severance indemnities will be allocated to the pension funds, the treasury fund set up at INPS or, in the case of companies having fewer than 50 employees, it may remain in the company, similar to what was done in the previous periods. The employees had the right to choose the destination of their severance indemnities until 30 June 2007.

To this regard, the effects arising from the new provisions were taken into consideration, and as per IAS 19 only the liability regarding the accruing employee severance indemnity that remained in the company was valued since the accruing amount, since 2007, is directed to alternative pension forms or is deposited in a treasury account set up at INPS, depending on the choice that every single employee made.

In connection with this, allocating the accruing amounts of employee severance indemnity to the pension funds or to INPS requires that a portion of the accruing employee severance indemnity be classified as a defined contributions plan since the company's obligation is represented only by payment of the contributions to the pension fund or to INPS. The liability regarding the previous employee severance indemnities continues to represent a defined benefit plan to be measured according to actuarial assumptions.

5 NEW ACCOUNTING CRITERIA, INTERPRETATIONS AND MODIFICATIONS ADOPTED BY THE GROUP

The Group adopted for the first time some accounting standards and amendments that are applied for annual periods beginning on or after 01 January 2016. The Group has not opted for an early adoption of any standard, interpretation or amendment that has been published, but is not yet effective.

The nature and impact of any new principle and amendment are specified hereunder: Albeit these new standards and amendments had been applied for the first time in 2016, they did not have a material impact on the Group consolidated financial statements. The nature and impact of any new principle/amendment are specified hereunder:

5.1 CHANGES TO IAS 19 DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

IAS 19 requires an entity to include contributions of employees and third parties in accounting for employee defined benefit plans. When the contributions are connected with the service rendered, these should be attributed to service periods as negative benefit. This amendment clarifies that, if the amount of contributions is independent from the number of years of service, the entity is allowed to recognise these contributions as a reduction in cost of the benefit over the period in which the service is rendered, instead of allocating the contribution to the periods of service. The amendment is applicable to annual periods beginning on or after 01 February 2015. This amendment is not relevant for the Group, given that no entity, being a Group member, has plans envisaging contributions to employees or third parties.

Annual improvements to IFRS—2010-2012 Cycle

These amendments are effective from 01 February 2015 and the Group fist applied them in these financial statements. They include:

5.2 IFRS 3 BUSINESS COMBINATIONS

This amendment is applied prospectively and clarifies that all agreements for contingent consideration classified under liabilities (or assets), resulting from a business combination, should be subsequently measured at fair value with contra entry in the income statement, whether or not they are within the scope of IFRS 9 (or IAS 39, as applicable). The above is consistent with the accounting principles applied by the Group and therefore this amendment had no impact.

5.3 IAS 16 PROPERTY, PLANT AND EQUIPMENT AND IAS 38 INTANGIBLE ASSETS

The amendment is applied retrospectively and clarifies that, in IAS 16 and IAS 38, an asset can be revalued based on observable data both adjusting the gross book value of the asset to the market value, and determining the market value of the book value and adjusting the gross book value on a pro rata basis so that the resulting book value is equal to the market value. Moreover, accumulated amortisation represents the difference between gross book value and book value of an asset. No adjustment from revaluation was accounted for by the Group in the reference period.

5.4 IAS 24 RELATED PARTY DISCLOSURES

The amendment is applied retrospectively and clarifies that a management entity (an entity that supplies services related to managers with strategic responsibilities) is a related party, subject to disclosure on related parties operations. Moreover, an entity, which uses a management entity, should disclose the cost borne for the management services. This amendment is not relevant for the Group as no management services are requested by other entities.

5.5 AMENDMENTS TO IFRS 11 ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS

The amendments to IFRS 11 require that a joint operator that books the acquisition of a share of equity investment in a joint arrangement, joint arrangement whose assets represent a business, must apply the significant principles of IFRS 3—Business Combinations, on the subject of accounting business combinations. The amendments also clarify that, if the joint arrangement is kept, the interest previously held in a joint arrangement is not measured again at the time another share of equity investment is acquired in the same joint arrangement. Moreover, an exclusion from the scope of IFRS 11 was added to clarify that the amendments are not applied when the parties that share control, including the entity that drafts the financial statements, are under joint control of the same latter parent.

The amendments are applied both upon acquisition of the initial share of equity investment in a joint arrangement and upon acquisition of any other additional share in the same joint arrangement and shall be applied prospectively. These amendments have no impact on the Group as, over the period, no interests in joint operations were acquired.

5.6 AMENDMENTS TO IAS 16 AND IAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

These amendments clarify the principle contained in IAS 16—Property, Plant and Equipment and IAS 38—Intangible Assets that the revenues reflect a model of economic benefits that are generated by the management of a business (to which the asset belongs) or the economic benefits that are consumed with use of the asset. What ensues is that a method based on revenues cannot be used for the depreciation of property, plant and machinery and might be used only in very limited circumstances to amortise intangible assets. The amendments must be applied prospectively and had no impact on the Group, given that it does not use revenue-based methods for the amortisation/depreciation of non-current assets.

5.7 AMENDMENTS TO IAS 27 EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments will let the entities use the equity method to account their equity investments in subsidiaries, joint ventures and associates in their separate financial statements. The entities that are already applying the IFRSs and decide to amend the accounting criterion by switching over to the equity method in their separate financial statements shall have to apply the change retrospectively. These amendments had no impact on the Group's consolidated financial statements.

5.8 IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets (or disposal groups) are generally disposed of through the sale or distribution to shareholders. The amendment clarifies that the change from one to the other of these disposal methods should not be considered a new disposal plan, but rather the continuation of the original plan. Therefore, there is no interruption in application of the IFRS 5 requirements. This amendment must be applied prospectively. No impact was reported on the consolidated financial statements.

5.9 AMENDMENTS TO IAS 1 DISCLOSURES

Amendments to IAS 1 clarify, rather than significantly modify, some already existing requirements of IAS 1. The amendments clarify:

- the requirement of materiality of IAS 1
- the fact that specific lines in the statements of profit/(loss) for the year or of the other comprehensive income (expense) or in the statement of financial position may be disaggregated
- that the entities are flexible with regard to the order in which they present the explanatory notes
- that the quota of the other comprehensive income (expense) regarding associates and joint ventures accounted using the equity method must be presented aggregated in a single line, and classified amongst those items that will not later be reclassified in the income statement.

Furthermore, the amendments clarify the requirements applied when sub-totals are presented in the statements of profit/(loss) for the year or of the other comprehensive income (expense) or in the statement of financial position. These amendments have no impact on the Group.

6 PRINCIPLES ISSUED BUT NOT YET IN EFFECT

The principles and interpretations that as at the date the consolidated financial statements were drafted had already been issued but were not yet in effect are explained below. The Group intends to adopt these standards when they enter into force.

6.1 IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9—Financial Instruments that replaces IAS 39—Financial Instruments: Recognition and measurement, and all the previous versions of IFRS 9. IFRS 9 brings together all three aspects regarding the project on booking financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the years starting on 1 January 2018 or afterwards; early application is permitted. With the exception of hedge accounting, retrospective application of the principle is required, but it is not necessary to provide the comparative disclosure. As for hedge accounting, the principle generally applies prospectively, with a few limited exceptions.

The Group will adopt the new standard upon its effective date. In 2016, the Parent Company performed a preliminary analysis on the impact of all three issues envisaged by IFRS 9. This preliminary analysis is based on information currently available and might be subject to changes according to more detailed analyses and further information that might become available to the Group in the future. In general, the Parent Company does not foresee any significant impact on the separate and consolidated financial statements.

6.1.1 CLASSIFICATION AND MEASUREMENT

The Group does not foresee significant impacts on its financial statements and shareholders' equity resulting from application of the classification and measurement requirements provided by IFRS 9. Measuring all financial assets currently booked at fair value is expected to be continued.

Like for the trade receivables, the loans are held for collection at the contractual due dates and it is expected that they will generate cash flows represented only by the collections of the principal and interest. The Group therefore expects that they will continue to be measured at amortised cost, pursuant to IFRS 9. The Group will however analyse the characteristics of the contractual cash flows of these instruments in greater detail before deciding whether they all meet the criteria for measurement at amortised cost pursuant to IFRS 9.

6.1.2 IMPAIRMENT

IFRS 9 requires that the Group record the loan losses expected on all its bonds, loans and trade receivables on an annual basis or based on the residual duration. The Group plans to apply the simplified approach and to record the losses expected on all trade receivables based on the residual duration. The Group does not expect any significant impacts on its shareholders' equity due to the fact that its receivables and loans are not guaranteed, but will have to make a more detailed analysis that considers all the reasonable and supported information, including the forecast elements, in order to determine the extent of the impact.

6.1.3 HEDGE ACCOUNTING

The Group deems that, in compliance with IFRS 9, all existing hedging relations that are currently designated as effective hedges will continue to be suited for hedge accounting. Given the fact that IFRS 9 does not change the general principle according to which the entity recognises effective hedges, the Company does not expect any significant impact from the application of the standard. In the future, the Group will more thoroughly evaluate the possible changes in the accounting of the time value of an option, as well as of the forward points and the spread related to the interest rates on two currencies.

6.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014, and it introduces a new five-phase model that will be applied to the revenues coming from contracts with customers. IFRS 15 requires recognition of the revenues for an amount that reflects the consideration at which the entity believes it is entitled in exchange for transfer of goods or services to the customer.

The new principle will replace all the current requirements in the IFRSs on the subject of recognition of revenues. The principle is effective for the years starting on 1 January 2018 or afterwards, with full retrospective or amended application. Early application is permitted.

The Group expects to apply the new standard starting from the mandatory date of effectiveness, using the full retrospective application method.

The Group operates in the high-end design and lighting sector. The goods are sold based on contracts signed with distinct and identifiable customers.

In 2017, the Group will evaluate the effects of IFRS 15.

6.2.1 SALE OF GOODS

It is not expected that the contracts with the customers in which the sale is the only obligation will have an impact on the Group. The Group expects that the revenues will be recognised when control of the asset has been transferred to the customer, generally at the time the asset is delivered.

The Group considered the following points in applying IFRS 15:

6.2.1.1 VARIABLE CONSIDERATION

IFRS 15 requires that the variable consideration be limited in order to prevent over-recognition of the revenues. The Group continues to measure the single contracts in order to determine the

estimated variable consideration and its limit. The Group does not expect application of the limit to involve deferment of the recognition of a greater volume of revenues than what occurs with application of the current IFRSs.

6.2.1.2 OBLIGATIONS FOR WARRANTIES

The Group envisages warranties for general repairs in contracts with customers and does not provide extended warranties or maintenance services. As a result, the Group deems that these warranties are of the insurance type and that they will still be accounted in compliance with IAS 37—Provisions, contingent liabilities and contingent assets, in line with what is currently being done.

6.3 AMENDMENTS TO IFRS 11 JOINT ARRANGEMENTS: ACCOUNTING FOR ACQUISITIONS OF INTERESTS

The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary sold or contributed to an associate or joint venture. The amendments clarify that the profit or loss resulting from the sale or contribution of assets forming a business, as defined by IFRS 3, between an investor and its associate or joint venture has to be entirely recognised. Any profit or loss resulting from the sale or contribution of assets, not making up a business, is on the other hand recognised only within the limits of the share held in the associate or joint venture by third-party investors. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively.

6.4 AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle contained in IAS 16 and IAS 38 that the revenues reflect a model of economic benefits that are generated by the management of a business (to which the asset belongs) or the economic benefits that are consumed with use of the asset. What ensues is that a method based on revenues cannot be used for the depreciation of property, plant and machinery and might be used only in very limited circumstances to amortise intangible assets. The amendments must be prospectively applied for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments.

6.5 AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary sold or contributed to an associate or joint venture. The amendments clarify that the profit or loss resulting from the sale or contribution of assets forming a business, as defined by IFRS 3, between an investor and its associate or joint venture, has to be entirely recognised. Any profit or loss resulting from the sale or contribution of assets, not making up a business, is on the other hand recognised only within the limits of the share held in the associate or joint venture by third-party investors. IASB postponed the effective date of these amendments at an indefinite date. Nevertheless, if an entity resolves for an early application, it should do it prospectively. No changes are expected for the Group.

6.6 AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle contained in IAS 16 and IAS 38 that the revenues reflect a model of economic benefits that are generated by the management of a business (to which the asset belongs) or the economic benefits that are consumed with use of the asset. What ensues is

that a method based on revenues cannot be used for the depreciation of property, plant and machinery and might be used only in very limited circumstances to amortise intangible assets. The amendments must be prospectively applied for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments.

6.7 IAS 7 DISCLOSURE INITIATIVE—AMENDMENTS TO IAS 7

Amendments to IAS 7—Financial Statement are included in the Disclosure Initiative of IASB and require that an entity supplies supplementary information, which would allow users of the financial statements to evaluate changes in liabilities connected with loans, including both changes related to cash flows and non-monetary changes. Upon the first application of this amendment, no comparative information, related to previous years, must be submitted by the entity. These amendments are in effect for annual reporting periods beginning on or after 01 January 2017; early application is permitted. For the Group, the application of changes will entail the supply of additional disclosures.

6.8 IAS 12 RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES—AMENDMENTS TO IAS 12

The amendments clarify that an entity should consider whether tax laws limit the taxable income sources for which it might have deductions related to the reverse of deductible temporary differences. Moreover, the amendment supplies guidelines on how an entity should determine future taxable income and clarifies when the taxable income might include the recovery of some assets, for a higher value than their carrying amount.

These amendments should be applied retrospectively by entities. In any case, upon first adoption of amendments, the change in opening shareholders' equity of the first comparison period might be recognised under opening earnings carried forward (or under other shareholders' equity items, if applicable). Entities that apply the aforesaid facilitation should give notice accordingly. These amendments are in effect for annual reporting periods beginning on or after 01 January 2017; early application is permitted. If an early adoption is applied by an entity, it should give notice accordingly. No impact due to the application of these amendments is expected by the Group.

6.9 IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS—AMENDMENTS TO IFRS 2

The IASB issued the amendments to IFRS 2—Share-based payments concerning three main areas: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payments settled net of tax withholdings; accounting for modification of share-based payment transactions from cash-settled to equity-settled.

Upon adoption, the entities must apply amendments without restating the previous years. Retrospective application is however permitted if it is applied for the three amendments and other criteria are met. These amendments are in effect for annual reporting periods beginning on or after 01 January 2018; early application is permitted. No impact due to the application of these amendments is expected by the Group.

6.10 IFRS 16 LEASES

IFRS 16 was published in January 2016 and supersedes IAS 17—Leases, IFRIC 4—Determining Whether an Arrangement Contains a Lease, SIC-15—Operating Lease—Incentives and SIC-27—Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for recognition, measurement, presentation and disclosure of leases. The standard requires lessees to recognise all leases in the financial statements according to one single accounting model, similar to the one used to recognise financial leases, pursuant to IAS 17. The standard

envisages two exceptions in recognition obligations of lessees: lease contracts with underlying assets of a low value (e.g. personal computers) and short-term lease contracts (e.g. leases with a lease term of 12 months or less). At the inception of the lease, the lessee shall measure a liability against lease payments (i.e. lease liabilities) and an asset representing the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees shall provide for a separate recognition of income payables on the lease and accumulated amortisation/ depreciation of the right-of-use asset.

The lease liability is subsequently remeasured by lessees to reflect changes upon occurrence of special events (e.g. changed terms of the lease contract, changes in future lease payments due to changes in an index or a rate used to calculate those payments). The lessee will generally recognise the amount of the lease liability remeasurement as an adjustment of the right-of-use asset.

Accounting envisaged by IFRS 16 for lessors remains substantially unchanged compared to the current accounting method as per IAS 17. Lessors shall continue to classify all leases by using the same classification principle envisaged by IAS 17 and making a distinction between two types of lease: operating and financial leases.

IFRS 16 requires lessees and lessors to provide for further disclosures compared to IAS 17.

IFRS 16 is effective for annual reporting periods beginning on 1 January 2019, or later. Early application is permitted, but not before the entity has adopted IFRS 15. A lessor can elect to either apply the standard with full retrospective effect or, alternatively, with a modified retrospective approach. Transitory provisions set out by the standard allow for some benefits.

In 2017, the Group expects to define the possible effects of IFRS 16 on its consolidated financial statements.

7 DISCRETIONARY ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparing the Group financial statements requires the directors to make discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the disclosures regarding them, as well as information on potential liabilities. The uncertainty of these assumptions and estimates might give rise to results that will require a significant adjustment to the book value of these assets and/or liabilities in the future.

7.1 DISCRETIONARY ASSESSMENTS

In applying the Group's accounting principles, the directors have taken decisions based on the following discretionary assessments (not including those that involve estimates) with a significant effect on the values entered in the financial statements.

7.2 ESTIMATES AND ASSUMPTIONS

The assumptions regarding the future and the other main causes of uncertainty in the estimates that as at 31 December pose the significant risk of giving rise to significant adjustments of the book values of the assets and liabilities by the end of the following year are illustrated here below. The Group has based its estimates and assumptions on yardsticks available at the time the consolidated financial statements were prepared. Nevertheless, the current circumstances and assumptions on the future developments could be altered due to changes in the market or occurrences that the Group cannot control. These changes, should they occur, are reflected in the assumptions.

7.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the book value of an asset or a cash generating unit exceeds its recoverable value, which is its fair value, net of the selling costs, and its value of use, whichever is higher. The fair value minus the selling costs is the amount obtainable from the sale of an asset

or of a cash generating unit in a free transaction between aware and willing parties, less the disposal costs. Calculation of the value of use is based on a cash flow discounting model. The cash flows are taken from the budget of the five subsequent years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will increase the results of the assets making up the cash generating unit being measured. The recoverable value noticeably depends on the discount rate used in the cash flow discounting model, just like it does on the cash flows expected in the future and the growth rate used for extrapolation.

7.4 DEFINED BENEFIT PLANS (EMPLOYEE SEVERANCE INDEMNITIES)

The cost of the defined benefit pension plans and other medical benefits subsequent to employment and the current value of the obligation for defined benefits are determined using actuarial valuations. The actuarial valuation requires that several assumptions that may differ from actual future developments be worked out. These assumptions include determination of the discount rate, the future wage gains, the mortality rates and the future increase in pensions. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. All the assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the corporate bond interest rate as reference, in currencies consistent with the currencies of the bonds for defined benefits that have at least a AA rating, assigned by internationally recognised rating agencies, and with average due dates corresponding to the expected duration of the defined benefits bond. The bonds undergo another qualitative analysis and those having a credit spread deemed excessive are eliminated from the population of bonds on which the discount rate is calculated since they do not represent a high quality category of bonds.

The mortality rate is based on the tables available on the specific mortality for each country. The future wage gains and pension gains are based on the inflation rates expected for each country.

7.5 DEVELOPMENT COSTS

Development costs are capitalised according to the reference accounting principles. Initial capitalisation of the costs is based on the fact that management's opinion on the technical and economic feasibility of the project is confirmed. This usually takes place when the project has reached a precise stage of the development plan. To determine the values to capitalise, the directors work out the forecasts of the future cash flows expected from the project, the discount rates to apply and the periods of manifestation of the expected benefits.

The book value of the capitalised development costs as at 31 December 2016 was € 2,067 thousand (€ 1,759 thousand as at 31 December 2015).

7.6 OBJECTIVES AND CRITERIA FOR MANAGING FINANCIAL RISK

The major financial liabilities of the Group comprise trade payables, loans and other payables. The main objective of these liabilities is to fund the Group's operating activities. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operational activities.

The Group is exposed to **market risk**, **credit risk** and **liquidity risk**. Group Management is appointed to manage these risks. The Board of Directors reviews and approves the management policies of each of the risks described below.

7.6.1 MARKET RISK

Market risk is the risk that the fair value of the future cash flows of a financial instrument will change due to the changes in the market price. The market price includes three types of risk: rate

risk, currency risk and other prices risks such as, for example, the price risk on the securities representing capital (equity risk) and the commodity price risk.

The Group is not considerably exposed to market risk since the securities held for sale are not of a significant amount.

The sensitivity analysis described hereunder refers to positions as at 31 December 2016 and has been drawn up by assuming that the net indebtedness, the ratio between fixed interest rate and variable interest rate of liabilities and derivatives and the portion of financial instruments are all constant and consistent with the designation of hedging in place as at 31 December 2016.

The following hypotheses were formulated in the sensitivity analysis:

- the sensitive analysis related to the statement of financial position refers to derivatives;
- the sensitive analysis of relevant elements in the statement of profit/(loss) for the year results from changes made with respect to market risks. This analysis is based on financial assets and liabilities held as at 31 December 2016, including the hedge accounting effect;
- the sensitivity analysis on shareholders' equity is calculated taking account of the effect of any hedging on cash flows and on net investments in foreign businesses as at 31 December 2016, combined with the effects of any estimated changes for the underlying risk.

7.6.1.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will change due to the changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates is first of all related to the long-term debt with variable interest rate.

The Group manages its rate risk through two Interest Rate Swap (IRS) contracts, where the Group agrees to exchange the difference in amount between the fixed rate and the variable rate each quarter. This difference is calculated referring to an agreed notional principal amount. The detail follows. See Note 42.

	Notional	Sell	Buy
IRS 30 June 2015 (start date)	120,000	Euribor 3M	0.574%
IRS 31 December 2015 (start date)	30,000	Euribor 3M	0.411%

7.6.1.2 SENSITIVITY TO THE INTEREST RATE

The sensitivity analysis shows how an unfavourable change in interest rates of + 1% on the portion of variable rate loans not covered by IRS would lead to a worsening of the pre-tax profit of € 230 thousand.

7.6.1.3 EXCHANGE RATE RISKS

Exchange rate risk is the risk that the fair value or the future cash flows of an exposure will change due to the changes in the exchange rates. The Group's exposure to the risk of exchange rate changes mainly refers to the operating activities of the Group (when the revenues or costs are denominated in a foreign currency) and to the net investments of the Group in foreign subsidiaries.

Although the Group has a strong international connotation, the use of Euro as trans-national currency for most of its transactions, reduces almost entirely any risks connected to variations in exchange rates. The Group is mainly exposed for positions denominated in U.S. dollars, Norwegian krones, Danish krones and Japanese yen, for volumes, which however are not such as considerably impacting its equity and financial position, and results of operations. Consequently, no sensitivity analysis has been made on the changes in exchange rates.

7.6.1.4 COMMODITY PRICE RISK

The Group is not exposed to the volatility of the price of any commodity.

7.6.2 CREDIT RISK

Credit risk is the risk that a counterparty does not fulfil its obligations tied to a financial instrument or to a commercial contract, therefore leading to a financial loss. The Group is exposed to the credit risk arising from its operating activities (above all for trade receivables and credit notes) and includes deposits with banks and financial institutions.

7.6.2.1 TRADE RECEIVABLES

The individual subsidiaries manage the credit risk related to the commercial counterparties and it is monitored centrally by the Group Administration Department. The Group has no significant concentrations of credit risk. However, there are procedures aimed at ensuring that the sales of products and services are made to very reliable customers, and their financial position, past experience and other factors are taken into account. The credit limits on the major customers are based on internal and external assessments on the basis of thresholds approved by the managements of the single countries. Use of the credit limits is periodically monitored.

The current customer list consists of the key players of the market with credit ratings of maximum reliability. Therefore, no measures to cover this risk other than the normal procedures and controls used for managing credit risk have been provided.

Please note that there are no receivables that have expired for over 12 months.

7.6.2.2 FINANCIAL INSTRUMENTS AND BANK DEPOSITS

As for the credit risk regarding the management of financial and cash resources, the risk is monitored by the Group Administration Department, which implements procedures aimed at ensuring that the Group Companies have relations with independent counterparties of a high and reliable profile.

7.6.3 LIQUIDITY RISK

The Group monitors the risk of a shortage of liquidity using a liquidity-planning tool.

The Group is not significantly exposed to this type of risk since the financial and capital structure of the Group is sound.

7.6.4 EXCESSIVE CONCENTRATION RISK

Concentration arises when a number of counterparties are engaged in a similar business or carry on their activities in the same geographical area, or have economic characteristics such as to see their ability to honour contractual commitments affected by economic or political changes, or by other conditions. Concentration indicates the relative sensitivity of the Group's result to changes that might influence a particular sector.

In order to prevent an excessive concentration of risk, the Group's rules and procedures include specific guidelines for keeping a diversified portfolio. Once any situations of credit risk concentration are identified, they are controlled and managed as a consequence. Specific hedging is used within the Group to manage the risk of concentration, on both the relations and sector levels.

7.7 COMMITMENTS AND RISKS

7.7.1 GUARANTEES AND COMMITMENTS

In connection with the Senior Facility Agreement stipulated with Unicredit AG, Milan Branch, the Parent Company Flos S.p.A. has provided the following guarantees in place as at 31 December 2016:

- a deed of mortgage on the property located in Bovezzo (BS);
- a deed of lien on some assets of the Parent Company, pursuant to Art. 46 of the Italian Consolidated Banking Law;
- a Spanish pledge document regarding the shares of Antares Iluminacion S.A.U.;
- a pledge document regarding the quota of Ares S.r.l.;
- a pledge document regarding the main current accounts of the Parent Company (and on their balances, including any accrued and accruing interest);
- a pledge document regarding several titles to industrial property of the Parent Company.

The Group had also provided the following guarantees as at 31 December 2016:

- guarantee given by the Parent Company against the lease of the Milan showroom for € 64 thousand, in addition to a guarantee for supplies to customers, amounting to € 87 thousand;
- guarantee on payables recorded in the financial statements of the subsidiary Flos USA Inc. for the deferred payment of the purchase price of Lukas Lighting Inc.; the residual commitment as at 31 December 2016 amounted to € 2,033 thousand;
- bank surety issued on 27 December 2016 by Unicredit on behalf of the Parent Company in favour of the Italian Tax Authorities for an amount (including interests) of € 953 thousand, with 3-year validity, to guarantee the payment of 2015 VAT reimbursement of € 894 thousand, collected on 23 March 2017.

7.7.2 FINANCIAL LEASING AND REDEMPTION COMMITMENTS

The Group signed a financial leasing contract with ING Leasing of Madrid (ES) following the purchase of the industrial property by the subsidiary Antares Iluminacion S.A.U. and related takeover of the underlying lease contract. This commitment, equal to € 5,988 thousand (€ 585 thousand within 12 months and € 5,403 after 12 months), is to be considered in the amount of € 2,767 thousand beyond 5 years.

7.8 LITIGATION MATTERS

In 2016, the Parent Company settled a legal dispute for which € 50 thousand were allocated to the Provision for contingencies as at 31 December 2015; this settlement was made through the payment of some € 50 thousand: the related Provision was fully utilised and, as at 31 December 2016, was almost nil.

In 2016, the Italian subsidiary Ares S.r.l. has prudentially allocated € 105 thousand in order to cover the hypothetical reimbursement risk connected to a legal dispute currently in course and for which the Lawyers determined the possible liability.

7.9 POTENTIAL LIABILITIES

The Group deemed it appropriate to allocate to accrue to the Provision for contingencies the following:

- an amount of € 937 thousand, to cover the always increasing requests for extended warranties on LED Products after the 24 months set forth by law;

- an amount of € 150 thousand, to hedge the risk of litigation due to the non-delivery of products occurred as a consequence of the financial crisis of one of the Group transport services supplier;
- an amount of € 105 thousand for legal disputes.

8 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS IN 2015 AND 2016

8.1 ACQUISITION OF ARES S.R.L. IN 2015

On 26 June 2015 the Parent Company Flos S.p.A. acquired the 100% of Ares S.r.l. and its subsidiary Ares Italia S.r.l. (both hereinafter referred to as "***Ares Group***"), unlisted companies with registered office in Italy, specialised in the design, production and marketing of outdoor lamps. This acquisition met the Group's need to expand the range of products offered on the market while consolidating its position in the *Outdoor* segment as well.

The merger by absorption of Ares Italia S.r.l. into Ares S.r.l. was completed in 2016.

The fair value of the assets and liabilities of the Ares Group as at the date of acquisition (2015) is represented in the following table:

	FAIR VALUE RECOGNISED AT TIME OF ACQUISITION
Other intangible fixed assets	81
Property, plant and machinery	10,430
Deferred tax assets	19
Other non-current assets	8
Inventories	4,257
Trade receivables	7,551
Tax assets and other assets	1,471
Cash and cash equivalents and short-term deposits	7,182
TOTAL ASSETS	**30,998**
Defined benefit plans (NC)	(1,026)
Provisions for contingencies and other charges (NC)	(134)
Deferred taxes	(26)
Other non-current liabilities	(108)
Trade payables	(4,106)
Tax payables and other liabilities	(1,865)
TOTAL LIABILITIES	**(7,265)**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	23,733
Goodwill coming from the acquisition	32,197
CONSIDERATION OF THE ACQUISITION	**55,930**
Cash and cash equivalents acquired	7,182
CONSIDERATION OF THE ACQUISITION NET OF ACQUIRED CASH	**48,748**

8.2 ACQUISITION OF LUKAS LIGHTING INC. IN 2015

On 30 November 2015, the Group acquired 100% of Lukas Lighting Inc., an Amercian company operating in the *Custom* segment. The acquisition was completed through the subsidiary Flos Usa Inc., a company regulated by US law with registered offices in New York.

The merger by absorption of Lukas Lighting Inc. into Flos Usa Inc. was completed in 2016.

The fair value of the assets and liabilities of Lukas Lighting Inc. as at the date of acquisition (2015) is represented in the following table:

	FAIR VALUE RECOGNISED AT TIME OF ACQUISITION
Property, plant and machinery	127
Deferred tax assets	11
Other non-current assets	21
Inventories	192
Trade receivables	730
Tax assets and other assets	151
Cash and cash equivalents and short-term deposits	1,389
TOTAL ASSETS	**2,621**
Trade payables	(128)
Tax payables and other liabilities	(2,004)
TOTAL LIABILITIES	**(2,132)**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	489
Goodwill coming from the acquisition	6,424
CONSIDERATION OF THE ACQUISITION	**6,913**
Cash and cash equivalents acquired	1,389
CONSIDERATION OF THE ACQUISITION NET OF ACQUIRED CASH	**5,524**

8.3 ACQUISITION OF THE MINORITY INTEREST IN FLOS USA INC. IN 2016

On 23 September 2016, the Group acquired an additional interest of 1.64% in the voting rights of Flos Usa Inc. (2 shares). The Group therefore now wholly owns the company.

For the acquisition, the minority shareholders received the amount of $95,349.00 (corresponding to € 86 thousand), which is exactly the pro-quota of net assets at the acquisition date.

9 GOODWILL

The total value of Goodwill amounted to € 353,766 thousand broken down as follows:

	2016	2015
Goodwill after reverse merge Flos S.p.A.	315,146	315,146
Goodwill from acquisition Ares S.r.l.	32,196	32,196
Goodwill from acquisition Lukas Lighting Inc.	6,424	6,424
TOTAL ASSETS WITH INDEFINITE USEFUL LIFE	**353,766**	**353,766**

9.1 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE FIXED ASSETS WITH INDEFINITE USEFUL LIFE

According to IAS 36, Goodwill is not subject to amortisation and undergoes impairment testing at least once a year.

Goodwill is allocated to the Cash Generating Units (CGUs) for impairment testing. Impairment testing is performed by comparing the total book value of the Goodwill and the total net assets able to produce autonomously cash flows (CGUs), to which Goodwill can reasonably be allocated, with the value in use of the CGU or that recoverable of it through disposal, whichever is higher. More specifically, the value in use was determined by applying the Discounted Cash Flows method, discounting the operational flows resulting from economic-financial projects based on assumptions contained in the plan officially approved by the Management.

The discounting factor used is the WACC (Weighted Average Cost of Capital), recorded with reference to the sector in which the CGU under evaluation operates.

The valuation model determines the value in use as the sum of the operational cash flows (defined as EBITDA net of notional taxes on the operating result and changed in the net working capital, changes in provisions, disinvestments/investments in capital assets) for each year of the plan.

The terminal value is determined applying a perpetual growth factor essentially representative of the expected inflation rate in Italy (market in which the identified CGUs operate) to the operational cash flow relating to the last year of plan appropriately normalised.

According to the Management's vision, the business of the Flos Group must be read based on the division both by collection ("Architectural", "Decorative", "Outdoor", etc.) and by channel/customer (*retail vs contract*), the one being transversal with respect to the other. Moreover, an important part of sales is made through the foreign branches operating on all channels and on all collections. This matrix structure brings about a substantial interdependency of cash flows generated by collection/channel/legal entity, all depending on the "FLOS" trademark. These are the reasons why the impairment test was carried out considering the Group as a unique CGU and the net invested capital as a whole was tested.

The Discounted Cash Flow analysis was prepared based on the 2017 Budget of the Flos Group approved by the Board of Directors on 14 February 2017 and on the business plan for the 2018-2021 period drawn up by the Management in view of the merger project, approved by the Board of Directors.

The "value in use" was calculated based on a WACC, net of tax, equivalent to 7.41% and a "g rate" of 2%. These rates were determined by referring to the discounting rates used by a number of international analysts in financial reports concerning comparable players operating in the same sector and listed in regulated markets.

The sensitivity analysis on the impairment test, conducted as instructed in IAS 36 in order to point out the effects generated on the "value in use" by a reasonable change of basic assumptions (WACC, growth rates), showed no appreciable effects on the "value in use", even in considering a negative change of 0.5 on the g rate and a positive change of 0.5 on WACC.

10 OTHER INTANGIBLE FIXED ASSETS

Other Intangible Assets totalled € 148,273 thousand as at 31 December 2016 and included the following:

	DEVELOPMENT COSTS	PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CO LIC TRAD OTHE FIX
Net book value at beginning of previous year	**1,728**	**1,006**	
Historical cost at beginning of previous year	**6,435**	**3,216**	
Increases in historical cost—previous year	1,906	619	
Decreases in historical cost—previous year	—	—	
Transfers / Giros / Reclassifications	79	2	
Exchange rate difference—previous year	—	—	
Historical cost at end of previous year	**8,420**	**3,837**	
Accumulated amortisation at beginning of previous year	**(4,707)**	**(2,210)**	
Increases in accumulated amortisation—previous year	(1,735)	(587)	
Decreases in accumulated amortisation—previous year	—	—	
Accumulated amortisation at end of previous year	**(6,442)**	**(2,797)**	
Net book value at end of previous year	**1,978**	**1,040**	
Historical cost at beginning of current year	**8,420**	**3,837**	
Increases in historical cost—current year	2,230	752	
Decreases in historical cost—current year	—	—	
Transfers / Giros / Reclassifications	(166)	(113)	
Exchange rate difference—current year	5	9	
Historical cost at end of current year	**10,489**	**4,485**	
Accumulated amortisation at beginning of current year	**(6,442)**	**(2,797)**	
Increases in accumulated amortisation—current year	(1,928)	(670)	
Accumulated amortisation at end of current year	**(8,370)**	**(3,467)**	
Net book value at end of current year	**2,119**	**1,018**	

Development costs include the costs of personnel dedicated to product development carried out within the Group. These costs are amortised over three years.

The item **Patents and intellectual property rights** includes:

- items entered by the Parent Company totalling € 675 thousand, of which:
  - Patents, amounting to € 404 thousand;
  - Software, amounting to € 167 thousand;
  - Image rights, amounting to € 46 thousand;
  - Minor licenses, amounting to € 58 thousand;
- the amounts entered by other Group companies, mainly for software.

The item **Concessions, licenses and trademarks and other intangible fixed assets** refers mainly to the Parent Company's assets related to:

- the production license relating to the line "*Soft Architectural*", for a residual amount of € 1,145 thousand;
- the deposit of trademarks, amounting to € 110 thousand.

Also recorded in this class are around € 300 thousand for the Bails that the subsidiary Flos Sàrl paid for the Paris and Lyon stores.

The item **Trademarks**, equal to € 143,500 thousand, refers only to the "FLOS" trademark, recorded in the Company's financial statements as from 2015, following the reverse merger of Padme S.p.A. and Arco S.p.A.. The value of the trademark, that has been considered at indefinite useful life and therefore not amortised, was determined at a value of € 143,500 thousand by an independent expert's appraisal, based on the "relief from royalties" method. As at 31 December 2016, the trademark was subjected to a separate impairment test, as detailed hereunder.

Moreover, it should be noted that the recognition of the "FLOS" trademark also involved the allocation, in 2015 of the related deferred taxes, amounting to € 40,037 thousand.

10.1 IMPAIRMENT TESTING ON THE TRADEMARK

The trademark was tested for impairment by comparing the book value of the trademark with its economic value resulting from the Discounted Cash Flow generated by the application of the Royalty Relief Method. Based on this method, cash flows are linked to the recognition of a royalty percentage applied to the amounting of revenues that the trademark can generate. As regards the 2016 assessment, revenues are based (i) for 2017, on the Budget approved by the Board of Directors on 14 February 2017; (ii) for the 2018-2021 period, on the business plan prepared for the merger project and approved by the Board of Directors on 29 June 2015; (iii) for the 2022-2026 period, based on 2% growth.

The "g" growth rate used was equal to 2%.

The discounting factor used is the WACC (Weighted Average Cost of Capital), recorded with reference to the sector in which the CGU under evaluation operates. The WACC (Weighted Average Cost of Capital) was calculated as 7.41% and then increased by 2% to reflect the premium related to the Trademark.

The results of the sensitivity analysis highlight that the value recorded in the FLOS trademark is confirmed until 1% negative changes on g rate and 1% positive on the discounting factor.

11 PROPERTY, PLANT AND MACHINERY

Property, plant and machinery totalled € 57,369 thousand as at 31 December 2016 and included the following:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIA AND COMMERC EQUIPMEI
Net book value at beginning of previous year	**106,020**	**23,400**	**62,4**
Historical cost at beginning of previous year	**48,783**	**11,003**	**30,3**
Acquisitions—previous year	9,125	1,204	
Decreases in historical cost—previous year	(225)	(141)	
Increases in historical cost—previous year	503	377	1,7
Exchange rate difference—previous year	(949)	(46)	(1
Historical cost at end of previous year	**57,237**	**12,397**	**32,0**
Accumulated depreciation at beginning of previous year	**(7,094)**	**(9,965)**	**(27,5**
Increases in accumulated depreciation—previous year	(1,239)	(395)	(1,2
Decreases in accumulated depreciation—previous year		141	
Exchange rate difference—previous year	—	(3)	
Accumulated depreciation at end of previous year	**(8,333)**	**(10,222)**	**(28,8**
Net book value at end of previous year	**48,904**	**2,175**	**3,2**
Historical cost at beginning of current year	**57,237**	**12,397**	**32,0**
Increases in historical cost—current year	628	230	2,3
Decreases in historical cost—current year	(446)	(44)	(
Transfers / Giros / Reclassifications	1,500	(242)	(
Exchange rate difference—current year	27	12	
Historical cost at end of current year	**58,946**	**12,354**	**34,2**
Accumulated depreciation at beginning of current year	**(8,333)**	**(10,222)**	**(28,8**
Increases in accumulated depreciation—current year	(1,448)	(629)	(1,6
Decreases in accumulated depreciation—current year	103	44	-
Transfers / Giros / Reclassifications	(1,020)	168	(
Accumulated depreciation at end of current year	**(10,697)**	**(10,639)**	**(30,4**
Net book value at end of current year	**48,248**	**1,715**	**3,7**

The value of **Land and Buildings** increased mainly due to the extraordinary maintenance works carried out on the building in Bovezzo owned by the Parent Company.

This item also includes what was incurred for the fixtures and furnishings of the Group showrooms and stores.

The increases in the **Plant and Machinery** item are related to capital expenditures made by the Parent Company (€ 85 thousand) for the machineries for the storage department and in new machineries for production, in addition to capital expenditures in new machineries and plants for production made mainly by the subsidiaries Antares Iluminacion S.A.U., Ares S.r.l. and Light Contract S.r.l., for € 145 thousand.

The increases in **Industrial and commercial equipment** refers principally to new moulds for the development and the manufacture of products, purchased by the Parent Company in the amount of € 595 thousand and by the subsidiaries Antares Iluminacion S.A.U., in the amount of € 1,120 thousand, and Ares S.r.l., in the amount of € 365 thousand.

The increases in **Other assets** refer to purchases of furniture and furnishings, office machinery, vehicles and internal means of transport for handling and storage services, as well as to costs borne for the setting-up of the show-room in Milan.

12 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are broken down as shown in the table below:

	2016	2015
Non-current financial assets	594	611
TOTAL NON-CURRENT FINANCIAL ASSETS	**594**	**611**

The item mainly comprises the deposits on rentals paid by the Group companies as at 31 December 2016.

13 OTHER NON-CURRENT ASSETS

The following is recorded under Other non-current assets:

	2016	2015
Receivable from Tax Authorities for IRAP refund	238	238
Receivable from Municipality of Bovezzo for planning fees	281	281
Receivables from others	103	132
TOTAL OTHER NON-CURRENT ASSETS	**623**	**651**

Tax credit from Tax Authorities for IRAP reimbursement includes the amounts already disclosed in previous years and related to the holding company Arco S.p.A., then merged into the Parent Company in 2015, and refers to a reimbursement claim submitted to the Italian Tax Authorities concerning the IRAP tax for previous years and totalling € 238 thousand.

The receivable from the Municipality of Bovezzo to the Parent Company, equal to € 281 thousand, refers to planning fees paid for works that were not carried out and for which a reimbursement in two instalments of 50% each of the amount is expected as from 2018.

Receivables from others refer mainly to the Parent Company (in the amount of € 102 thousand).

14 INVENTORIES

Inventories are broken down in the following table:

	2016	2015
Raw, ancillary and consumable materials	10,653	9,590
Provision for raw, ancillary and consumable materials inventory write-down	(1,154)	(1,076)
Work in progress and semi-finished products	9,683	8,506
Provision for work in progress and semi-finished products inventory write-down	(1,261)	(976)
Finished products and goods for resale	11,543	10,965
Provision for finished products and goods for resale inventory write-down	(2,012)	(2,237)
Advances	69	50
Goods in transit	949	1,075
TOTAL INVENTORIES	**28,470**	**25,899**

Inventories on hand are shown net of the provision for inventory write-down for of € 4,427 thousand detailed as follows:

- € 1,267 thousand related to the Parent Company;
- € 1,969 thousand related to the subsidiary Antares Iluminacion S.A.U.;
- € 607 thousand related to the subsidiary Ares S.r.l.;
- € 584 thousand related to other Group companies.

The changes of the provision for inventory write-down are as follows:

	PROVISION FOR INVENTORY WRITE-DOWN
BALANCE AT BEGINNING OF PREVIOUS YEAR	**3,417**
Utilisation of provision, previous year	(649)
Accruals, previous year	1,521
BALANCE AT END OF PREVIOUS YEAR	**4,289**
Utilisation of provision, current year	(988)
Accruals, current year	1,127
BALANCE AT END OF CURRENT YEAR	**4,427**

15 TRADE RECEIVABLES

As at 31 December 2016, trade receivables totalled € 33,922 thousand (€ 32,228 thousand as at 31 December 2015), net of the bad debt provision which amounts to € 1,563 thousand (€ 1,659 thousand as at 31 December 2015).

The following table shows trade receivables by geographical area, including the apportionment of the provision for doubtful debts by geographical area:

	2016	2015
Italy	15,573	14,776
EEC	13,123	13,837
Non-EEC	5,226	3,615
TOTAL TRADE RECEIVABLES	**33,922**	**32,228**

The changes of the provision for doubtful debts is summarised below:

	PROVISION FOR DOUBTFUL DEBTS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**1,305**
Utilisation of provision, previous year	(177)
Allowance, previous year	531
BALANCE AT END OF PREVIOUS YEAR	**1,659**
Utilisation of provision, current year	(599)
Allowance, current year	503
BALANCE AT END OF CURRENT YEAR	**1,563**

Please see below the division of trade receivables by maturity date, which does not include the provision for doubtful debts and the item Receivables in litigation:

	Total	Due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue over 120
Italy	16,088	15,038	410	356	103	89	92
EEC	13,611	10,832	1,737	345	155	520	22
Non-EEC	5,410	3,742	1,159	223	93	76	117
TOTAL TRADE RECEIVABLES	**35,109**	**29,612**	**3,306**	**924**	**351**	**685**	**231**

16 TAX ASSETS AND OTHER CURRENT ASSETS

16.1 TAX CREDIT AND DUE FROM TAX AUTHORITIES

Current tax credit and due from tax authorities are as follows:

	2016	2015
Receivables for tax advances paid and withholding taxes—current	1,745	1,804
VAT receivables—current	2,609	2,279
Other tax credits—current	15	56
TOTAL TAX CREDIT AND DUE FROM TAX AUTHORITIES	**4,369**	**4,139**

Receivables for tax advances paid and withholding taxes include the positions of the various companies with respect to local Tax Authorities for the payment of taxes. The amount, totalling € 1,745 thousand, refers mainly to:

- the Parent Company for € 535 thousand;
- the subsidiary Antares Iluminacion S.A.U. for € 79 thousand;
- the subsidiary Ares S.r.l. for € 45 thousand;
- the subsidiary Flos Usa Inc. for € 948 thousand;
- the subsidiary Flos Gmbh for € 90 thousand.

The item VAT receivables includes VAT receivables originated in 2016 or in previous years. The value, totalling € 2,609 thousand, is mainly attributable to:

- the Parent Company for € 946 thousand, of which € 894 thousand claimed as reimbursement to the Financial Administration and collected on 23 March 2017;
- the subsidiary Antares Iluminacion S.A.U. for € 1,611 thousand.

The item Other tax credits includes withholding taxes on the collection of dividends and/or interest on foreign subsidiaries, all attributable to the Parent Company.

16.2 OTHER ASSETS

Other assets are broken down as shown in the table below:

	2016	2015
Other current assets	1,397	1,249
TOTAL OTHER CURRENT ASSETS	**1,397**	**1,249**

This item includes:

- payment in advance to suppliers: € 187 thousand by the Parent Company, € 56 thousand by Ares S.r.l. and € 14 thousand by other Group companies;
- payments in advance for taxes for the renewal of trademarks by the Parent Company, € 228 thousand;
- payment in advance made by Group companies for an amount of € 751 thousand for maintenance expenses, utilisation of software and services;
- payment in advance by Group companies for € 24 thousand for insurances;
- other receivables amounting to € 137 thousand.

17 CASH AND CASH EQUIVALENTS AND DEPOSITS

Current and restricted cash and cash equivalents as at 31 December 2016 came to a total of € 30,807 thousand and are broken down as follows:

	2016	2015
Bank and post office deposits	30,559	37,678
Cheques	15	17
Cash on hand	53	75
Total current cash and cash equivalents	**30,626**	**37,771**
Restricted cash and cash equivalents	**181**	**132**
TOTAL CASH AND CASH EQUIVALENTS AND DEPOSITS	**30,807**	**37,903**

For a detailed breakdown of the company's cash and cash equivalents, please refer to Consolidated Cash Flow statement.

18 ASSETS HELD FOR DISPOSAL

Assets held for disposal, which came to € 342 thousand, refer to a real estate property of the subsidiary Ares S.r.l. under sale negotiation.

19 SHAREHOLDERS' EQUITY

The Shareholders' equity (Group and minority interest) totalled € 409,055 thousand (€ 387,483 thousand as at 31 December 2015).

Please refer to the Consolidated statement of Changes in Shareholders' Equity for a breakdown of the changes. Please be informed that, for a more consistent disclosure, the nature of some reserves has been restated.

Adjustments resulting from consolidation led to the following differences between the financial statements for the year ending 31 December 2016 of the Parent Company and the consolidated financial statements of the Group at the same date:

	Profit/(Loss) 2016	Shareholders' Equity at 31.12.2016
Shareholders' Equity and profit/(loss) for the year of Flos S.p.A.	**25,861**	**387,710**
Shareholders' Equity and profit/(loss) for the year of consolidated companies	22,809	91,298
Consolidation adjustments on Shareholders' Equity and profit/(loss) for the year		
Cancellation of the carrying amount of equity investments	—	(97,409)
Recording of goodwill following business combinations	—	31,034
Intercompany dividends	(23,673)	—
Netting of profit in stock	(542)	(2,981)
Difference of exchange rate conversion and other residual effects	—	(597)
Shareholders' Equity and profit/(loss) for the year of the consolidated financial statements of Flos S.p.A.	**24,455**	**409,055**

The various items of the Group Shareholders' Equity are described hereunder.

19.1 SHARE CAPITAL

Share capital, fully subscribed and paid up, amounted to € 1,875 thousand as at the year-end date.

It consists of 13,377 thousand ordinary shares and 354 thousand shares of Category B without nominal value, and it includes the following:

- as for € 232 thousand through payments and subscriptions of shareholders;
- as for € 433 thousand through conversion of revaluation reserves;
- as for € 1,209 thousand through conversion of extraordinary reserves already entirely subjected to tax.

The Parent Company's shares are encumbered by a pledge in favour of Unicredit Bank AG, Milan Branch and Unicredit S.p.A..

19.2 OTHER RESERVES

Other reserves as at 31 December 2016 totalled € 377,583 thousand (€ 357,442 thousand as at 31 December 2015) and are broken down as follows:

	2016
Consolidation reserve	17,221
Currency conversion difference	(449)
Sundry reserves	2
Share premium reserve	20,000
Revaluation reserve	16,862
Legal reserve	500
Statutory reserves	68,364
Merger reserve	255,084
TOTAL OTHER RESERVES	**377,583**

19.3 RESERVE FOR ACTUARIAL GAINS AND LOSSES

The Reserve for actuarial gains and losses refers to the effect of discounting the employee severance indemnities (€ 232 thousand negative as at 31 December 2016), accounted to Shareholders' Equity in the Other Comprehensive Income (Expense).

19.4 CASH FLOW HEDGE RESERVE

The Cash Flow Hedge reserve has been created during the year and reflects the fair value of derivatives hedging the loan entered into by the Parent Company and, as at 31 December 2016, reported a negative balance of € 1,462 thousand, less the tax effect of € 461 thousand.

19.5 FTA RESERVE

The First Time Application (FTA) reserve, € 3,251 thousand, includes the adjustments implemented following the transition to the IAS/IFRS accounting standards.

Please also note that, as at the date these financial statements are approved, there are no dividends already resolved but not yet paid.

20 DEFINED BENEFIT PLANS

Defined benefit plans relate to the Parent Company and its Italian subsidiaries.

Please note that the amount of the employee severance indemnities provision is net of the sums allocated to INPS Treasury Complementary Scheme.

Changes are described hereunder:

	FUTURE BENEFIT PLAN
BALANCE AT BEGINNING OF PREVIOUS YEAR	**1,952**
Allocation to provision, previous year	503
Utilisation of provision, previous year	(690)
Interests from discounting, previous year	31
Actuarial profit and loss, previous year	34
Value resulting from acquisition, previous year	1,026
BALANCE AT END OF PREVIOUS YEAR	**2,856**
Allocation to provision, current year	663
Utilisation of provision, current year	(716)
Interests from discounting, current year	16
Actuarial profit and loss, current year	(9)
BALANCE AT END OF CURRENT YEAR	**2,810**

Valuation of the employee severance indemnities for IAS purposes follows the projected current value of defined benefits obligation method with the estimate of benefits accrued by employees.

Following the amendments introduced by Italian Law 296 of 27 December 2006 ("Finance Act 2007") and the subsequent implementation decrees and regulations, the quotas of employee severance indemnities accrued up until 31 December 2006 will continue to remain in the company as a defined benefits plan (obligation for the benefits accrued subject to actuarial valuation), while the quotas accruing starting from 1 January 2007 will be allocated to forms of complementary pension or transferred from the company to the treasury fund managed by INPS due to the choices made by the employees during the year, emerging as defined contribution plans (no longer subject to actuarial valuation) starting from when the employee formalises his or her choice. Determination of the employee severance indemnities is therefore the result of applying an actuarial model based on several assumptions, both demographic and economic in nature.

The technical-economic bases used are shown in the following table:

	2016	2015
Annual discounting rate	0.86%	1.39%
Annual inflation rate	1.50%	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 on
Annual employee severance indemnity increase rate	2.62%	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.00% from 2020 on

Please particularly note that the annual discounting rate used to determine the current value of the obligation was taken, consistent with par. 83 of IAS 19, from the Iboxx Corporate AA index recorded on the valuation date. For this purpose, the yield having a duration comparable to the duration of the collective of the Company being valued was chosen.

In line with the provisions of IAS 19, the additional information required for the defined benefit plans is provided below:

	2016	2015
Inflation rate +0.25%	2,836,480	2,889,806
Inflation rate -0.25%	2,746,211	2,802,946
Discounting rate +0.25%	2,730,376	2,787,202
Discounting rate -0.25%	2,853,586	2,906,780
Turnover rate +1%	2,771,139	2,831,384
Turnover rate -1%	2,812,825	2,861,965

21 PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

The Provisions for contingencies and other charges, amounting to € 2,984 thousand, include the following:

- Provisions for pensions and similar obligations, amounting to € 1,112 thousand;
- Other provisions, amounting to € 1,872 thousand.

Changes are illustrated hereunder:

21.1 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**653**
Increases of provision, previous year	217
Actuarial profit and loss, previous year	(2)
Utilisation of provision, previous year	(150)
Reclassification of provision, previous year	140
BALANCE AT END OF PREVIOUS YEAR	**858**
Increases of provision, current year	268
Actuarial profit and loss, current year	(14)
BALANCE AT END OF CURRENT YEAR	**1,112**

As at 31 December 2016, the Provision for pensions and similar obligations, € 1,112 thousand, comprised the amount for agents' termination indemnity accrued in compliance with collective labour agreements applicable to agents presently in force. The amount reflects a prudent acknowledgement of the risk related to termination of agent mandates in the instances envisaged by law.

The Provision for pensions and similar obligations is subject to actuarial calculation.

21.2 OTHER PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

	OTHER PROVISIONS
BALANCE AT BEGINNING OF PREVIOUS YEAR	**650**
Allocation to provision for general liabilities	770
Utilisation of provision, previous year	(351)
Reclassification of provision, previous year	48
BALANCE AT END OF PREVIOUS YEAR	**1,118**
Allocation to provision for general liabilities	1,192
Utilisation of provision, current year	(438)
BALANCE AT END OF CURRENT YEAR	**1,872**

The item Other provisions as at 31 December 2016, totalling € 1,872, includes the following:

- a Provision for Product Warranties, equal to € 1,569 thousand, created as from 2014 to cover the request for warranty extensions on LED products. The provision is related to:
  - the Parent Company for € 400 thousand;
  - the subsidiary Antares Iluminacion S.A.U. for € 869 thousand;
  - the subsidiary Light Contract S.r.l. for € 200 thousand;
  - the subsidiary Ares S.r.l. for € 100 thousand.
- a Provision for Liabilities of non-delivery of Products, amounting to € 150 thousand, accrued in 2016 by the Parent Company to cover the risk of possible litigations due to the non-delivery of products occurred as a consequence of the financial crisis of one of the Group transport services supplier;
- a Provision for General Liabilities, allocated to cover possible liabilities due to legal disputes, related to:
  - the subsidiary Ares S.r.l. for € 153 thousand;
  - the Parent Company for € 1 thousand.

22 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities are broken down as follows:

	2016	2015
Current financial liabilities:		
Senior Loan Facility—current quota	6,487	5,029
Due to other lenders	618	616
Deferred price for Lukas acquisition	508	496
Liabilities for IRS	—	142
Total current financial liabilities	**7,613**	**6,283**
Non-current financial liabilities:		
Senior Loan Facility—non-current quota	152,017	179,628
Due to other lenders	5,446	6,047
Deferred price for Lukas acquisition	1,273	1,631
Liabilities for IRS	2,240	—
Total non-current financial liabilities	**160,975**	**187,305**
TOTAL FINANCIAL LIABILITIES	**168,588**	**193,588**

The *Senior Loan* payables refer to the *Senior Facility Agreement* and the *Additional Facility*, related to the Parent Company. It is specified that the amount disclosed under non-current liabilities, related to this loan, is net of charges on loan, capitalised and amortised over the duration of the loan itself, for a value of € 6,895 thousand as at 31 December 2016.

As at 31 December 2015, the available credit lines amounted to € 235 million and were used for € 193.65 million. During 2016, a total of € 29 million were redeemed (including: € 20 million on a voluntary basis, € 5 million due to *excess cash flow* as set out by the agreement and € 4 million of ordinary instalments). Therefore, utilisation of available credit lines amounted to € 164.54 million as at 31 December 2016.

The reconciliation of the utilisation of *Senior Loan* credit lines is shown hereunder.

	2016	2015
Senior Loan Facility—current quota	6,487	5,029
Senior Loan Facility—non-current quota	152,017	179,628
Amortised cost	6,895	9,522
Accrued interest	(856)	(528)
Utilisation of credit lines	**164,543**	**193,651**

The interest rates applied to the lines are based on 3-month Euribor, to which a 3.75% spread is applied for Facility A and 4.25% for Facility B and the Additional Facility.

The lines have a lifetime until December 2021.

Note that the *Senior Loan Facility* is subject to a quarterly check of the financial covenants that were fully met as at 31 December 2016. In particular:

- Interest cover ratio (EBITDA/Net cash expenses)
- Fixed Charge cover ratio (Cash flow/Debt service)
- Leverage ratio (Net debt/EBITDA)

The amounts due to other lenders refer mainly to what agreed by the subsidiary Antares Ilumination S.A.U. with ING Leasing of Madrid (ES) as a consequence of the purchase under capital lease of the industrial building and of the related take-over of the underlying lease. The commitment, equal to € 5,988 thousand, refers to € 2,767 thousand after 5 years (€ 585 thousand within 12 months and € 5,403 after 12 months).

The deferred price for the acquisition of Lukas Lighting Inc., totalling € 1,781 thousand as at 31 December 2016, was discounted.

Liabilities for IRS, equal to € 2,240 thousand, related to the negative *MTM* of derivatives.

23 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are broken down as follows:

	2016	2015
Other liabilities	128	165
TOTAL OTHER NON-CURRENT LIABILITIES	**128**	**165**

The value refers to rental payables.

24 TRADE PAYABLES

Trade payables broken down by geographical area are shown below.

	2016	2015
Italy	21,866	14,393
EEC	3,749	8,688
Non-EEC	2,172	4,413
TOTAL TRADE PAYABLES	**27,786**	**27,494**

The item includes:

- trade payables to suppliers, including allocations for invoices to be received, amounting to € 25,334 thousand;
- advance payments from customers, amounting to € 2,452 thousand.

Trade payables to suppliers are broken down by maturity term as follows:

	Total	Due	Overdue 0-30	Overdue 30-60	Overdue 60-90	Overdue 90-120	Overdue over 120
Italy	21,756	21,020	648	26	61	1	0
EEC	2,004	1,431	368	51	17	42	95
Non-EEC	1,574	1,386	139	0	0	2	46
TOTAL TRADE PAYABLES	**25,334**	**23,837**	**1,156**	**77**	**78**	**46**	**141**

25 TAX PAYABLES AND OTHER CURRENT LIABILITIES

This category includes:

- tax payables and due to tax authorities, amounting to € 2,162 thousand;
- amounts due to social security institutions, amounting to € 1,306 thousand;
- amounts due to personnel and other payables, amounting to € 8,068 thousand.

The above items are detailed in the following table.

25.1 TAX PAYABLES AND DUE TO TAX AUTHORITIES

	2016	2015
Due to tax authorities for taxes	1,454	1,804
Due to tax authorities for VAT	501	328
Other tax payables	206	117
TOTAL TAX PAYABLES AND DUE TO TAX AUTHORITIES	**2,162**	**2,248**

25.2 DUE TO SOCIAL SECURITY INSTITUTIONS

	2016	2015
Due to social security authorities	1,306	1,154
TOTAL DUE TO SOCIAL SECURITY INSTITUTIONS	**1,306**	**1,154**

25.3 DUE TO PERSONNEL AND OTHER PAYABLES

	2016	2015
Due to personnel	3,480	3,193
Due for accrued vacations	961	962
Employee tax payables	859	1,216
Due to board members	1,237	1,166
Due for customer bonuses and other payables	1,531	1,321
TOTAL DUE TO PERSONNEL AND OTHER PAYABLES	**8,068**	**7,858**

26 REVENUES

Revenues as at 31 December 2016 amounted to € 206,844 thousand and refer to the sale of products and services.

The following table shows the breakdown by geographical area:

	2016	2015
Italy	38,045	28,782
Europe	94,423	97,116
Outside Europe	74,376	52,737
TOTAL REVENUES	**206,844**	**178,635**

27 OTHER REVENUES AND INCOME

Other Revenues and income are broken down as follows.

	2016	2015
Rents	118	94
Sundry revenues	2,319	2,216
Capital gains from disposal of assets	472	26
Contributions pertaining to current year	50	—
TOTAL OTHER REVENUES AND INCOME	**2,959**	**2,336**

The item Sundry revenues includes revenues from sundry services rendered, the debiting for transportation and sundry insurance reimbursements.

28 PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES

Purchases of raw materials and variation in inventories is broken down in the following table:

	2016	2015
Purchase of raw materials, work in progress, finished products	(63,481)	(52,875)
Purchase of promotion and advertising materials	(396)	(803)
Purchase of other miscellaneous material	(236)	(379)
Variation in work in progress inventories	605	19
Increases in internal work capitalised under fixed assets	11	46
Variation in inventories of raw materials	883	471
TOTAL PURCHASES OF RAW MATERIALS AND VARIATION IN INVENTORIES	**(62,613)**	**(53,521)**

29 PERSONNEL COSTS

Personnel costs is broken down in the following table:

	2016	2015
Wages and salaries	(24,825)	(21,496)
Social security contributions	(5,709)	(4,961)
Employee severance indemnities and pensions	(637)	(522)
Other personnel costs	(428)	(399)
TOTAL PERSONNEL COSTS	**(31,599)**	**(27,379)**

The headcount of Group employees as at 31 December 2016, broken down by category, follows:

	Employees
Flos S.p.A.	
Executives	5
White-collar staff	101
Blue-collar staff	40
Total Flos S.p.A. employees	146
Subsidiaries	
Executives	5
White-collar staff	276
Blue-collar staff	159
Total employees of Subsidiaries	440
Total Group employees	**586**

30 SERVICE COSTS

Service costs are broken down as follows:

	2016	2015
Subcontract work and services for production	(13,944)	(12,027)
Commissions, royalties, advertising and communication expenses	(13,280)	(11,044)
Transport and customs costs	(9,279)	(8,668)
Facilities, ancillary services, EDP rentals, maintenance and repairs	(2,638)	(2,616)
Technical, artistic, fiscal, legal and other advisory services	(3,973)	(5,205)
Remuneration of directors, statutory auditors and audit firm	(3,469)	(3,632)
Travel and accommodation costs	(3,093)	(2,284)
Training, subcontract personnel, banking services and other administration services	(4,455)	(2,439)
Insurance, patents and trademarks, post and telegraph	(2,022)	(1,951)
TOTAL SERVICE COSTS	**(56,152)**	**(49,866)**

31 PROVISIONS

Allocations to provisions refer to:

	2016	2015
Provisions for contingencies	(1,192)	(1,090)
Provisions for pension fund	(268)	(213)
TOTAL PROVISIONS	**(1,460)**	**(1,303)**

Provisions for contingencies relate:

- for € 937 thousand to cover the extended warranty on LED Products, in the Parent Company and the subsidiaries Antares Iluminacion S.A.U., Light Contract S.r.l. and Ares S.r.l.;
- for € 150 thousand, to cover the estimated risk of litigation of the Parent Company for the non-delivery of products sold, following the financial the financial crisis of one of the Group transport services supplier;
- for € 105 thousand to liabilities for legal disputes estimated by the subsidiary Ares S.r.l..

32 OTHER COSTS AND CHARGES

Other costs and charges is broken down as follows:

	2016	2015
Property rents	(2,692)	(2,220)
Rental, lease and EDP licences	(1,063)	(998)
Tax and sundry taxes	(543)	(560)
Membership and subscription fees, incl. Internet	(177)	(207)
Gifts and charity	(230)	(291)
Purchase of stationery and office consumables	(344)	(248)
Sundry expenses and overheads	(246)	(279)
Non-existence, contingent liabilities and other management costs	(179)	(174)
TOTAL OTHER COSTS AND CHARGES	**(5,474)**	**(4,977)**

33 AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The item Amortisation, depreciation and write-downs is broken down in the following table:

	2016	2015
Amortisation of intangible fixed assets	(3,121)	(3,223)
Depreciation of tangible fixed assets	(4,482)	(3,732)
Write-down of receivables	(503)	(531)
TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS	**(8,106)**	**(7,486)**

34 FINANCIAL INCOME

The item Financial income is broken down as follows:

	2016	2015
Financial income from receivables recorded within fixed assets	—	77
Bank and post office interest	37	46
Other income	20	51
Exchange gains (realised and not realised)	822	863
TOTAL FINANCIAL INCOME	**880**	**1,037**

35 FINANCIAL CHARGES

The item Financial charges is broken down in the following table:

	2016	2015
Interest on *Senior Loan Facility*	(8,418)	(9,024)
Interest on amortised cost of ancillary *Senior Loan Facility* charges	(2,669)	(1,710)
Ancillary costs related to *Senior Loan Facility*	(906)	(962)
Financial charges due to difference on swap	(1,117)	(494)
Effect of employee severance indemnity discounting (IFRS)	(16)	(21)
Effect of agents' termination indemnity discounting (IFRS)	(2)	17
Interest borne on bank current account	(5)	(3)
Exchange losses (realised and not realised)	(796)	(643)
Other financial charges	(145)	(87)
TOTAL FINANCIAL CHARGES	**(14,074)**	**(12,928)**

Interest expenses on the *Senior Loan Facility* refer to costs paid and/or accrued in relation to the *Senior Facility Agreement* and the *Additional Facility*; for more details please see Note 22.

36 INCOME TAXES

The tax detail follows:

	2016	2015
Current taxes	(7,475)	(8,730)
Deferred and prepaid taxes	725	5,667
TOTAL INCOME TAXES	**(6,749)**	**(3,063)**

The tax burden for 2016, including adjustment on current, deferred or prepaid taxes recognised during the year on allocations recorded at the end of previous year, totalled € 6,749 thousand (€ 3,063 thousand as at 31 December 2015), while making a distinction between current income taxes, amounting to € 7,475 thousand, and deferred taxes generating a positive effect of € 725 thousand.

The tax burden for current taxes was determined based on the taxable income arising from the profit for the year, bearing in mind the use of any prior tax losses and applying the nominal rates in effect in each country.

As for the Italian companies, deferred taxes are recorded by taking account of the effect of changes in IRES tax rate from 27.5% to 24% as from 1 January 2017.

It should be noted that Spanish Tax Authorities are assessing the fiscal years from 2012 to 2014 at the subsidiary Antares Iluminacion S.A.U.. Similarly, the French Tax Authorities are assessing the 2014 and 2015 years at the subsidiary Flos Sàrl. In both cases, the reference Management has no reasons to deem that these assessments would entail significant future liabilities for the companies.

37 PREPAID AND DEFERRED TAXES

The following table shows the changes of prepaid and deferred taxes over the last two years (2015 and 2016).

37.1 PREPAID TAX

	TAXABLE AMOUNT	TAX RATE	PREPAID TAX	DEFERRED TAX ASSETS
Receivables for prepaid tax at beginning of previous year				**2,734**
Utilisation in previous year of prepaid taxes allocated over previous years:				
Remuneration and other	(775)	27.50%	(213)	(213)
Exchange rate losses from non-deductible valuation	(45)	27.50%	(12)	(12)
Amount of non-deducted amortisation of trademarks	(7)	31.40%	(2)	(2)
Utilisation of provision for agents' termination indemnity	(58)	27.50%	(16)	(16)
Adjustment of devaluation of stock obsolescence reserve	(7)	31.40%	(2)	(2)
Use of provision for doubtful accounts	(33)	27.50%	(9)	(9)
Sundry uses			(936)	(936)
Allocation of prepaid taxes over previous year:				
Remuneration and other	943	27.50%	259	259
Exchange rate losses from non-deductible valuation	41	27.50%	11	11
Amount of non-deducted amortisation of trademarks	40	31.40%	13	13
Quota final stock obsolescence	229	31.40%	72	72
Quota of provision for doubtful accounts	150	27.50%	41	41
Quota of provision for agents' termination indemnity	150	27.50%	41	41
Quota of provisions for contingencies	350	27.50%	96	96
IFRS—Elimination of intercompany profits from Flos Spa products	2,499	31.40%	785	785
IFRS—Elimination of intercompany profits from Antares Iluminacion SAU products	980	26.00%	255	255
IFRS—Quota of deposit paid for Paris-Lyon Showroom	66	31.40%	21	21
Reversed ancillary charges for purchase of Ares Srl	637	24.00%	153	153
IFRS_Discounting of employee severance indemnity of Ares Srl	100	27.50%	28	28
IFRS_Discounting of employee severance indemnity—Euroformat Srl	15	27.50%	4	4
Receivables for prepaid tax provision at end of previous year				**3,323**

	TAXABLE AMOUNT	TAX RATE	PREPAID TAX	DEFERRED TAX ASSETS
Utilisation in current year of prepaid taxes allocated over previous years:				
Remuneration and other	(943)	27.50%	(259)	(259)
Exchange rate losses from non-deductible valuation	(41)	27.50%	(11)	(11)
Amount of non-deducted amortisation of trademarks	(24)	31.40%	(7)	(7)
Use of stock obsolescence reserve	(93)	31.40%	(29)	(29)
Use of provision for sundry liabilities	(49)	27.50%	(14)	(14)
Use of provision for doubtful accounts	(168)	27.50%	(46)	(46)
IFRS—Elimination of intercompany profits from Flos Spa products	(2,499)	31.40%	(785)	(785)
IFRS—Elimination of intercompany profits from Antares Iluminacion SAU products	(980)	26.00%	(255)	(255)
Sundry uses			(326)	(326)
Allocation of prepaid taxes over current year:				
Remuneration and other	1,027	24.00%	246	246
Exchange rate losses from non-deductible valuation	29	24.00%	7	7
Amount of non-deducted amortisation of trademarks	31	27.90%	9	9
Development R&D cost capitalisation	218	3.90%	9	9
Quota final stock obsolescence	699	27.90%	195	195
Quota of provision for doubtful accounts	275	24.00%	66	66
Quota of provision for agents' termination indemnity	150	27.90%	42	42
Quota of provisions for contingencies	655	27.90%	175	175
Cash Flow Hedge	1,924	24.00%	462	462
IFRS—Elimination of intercompany profits from Flos Spa products	2,772	27.90%	773	773
IFRS—Elimination of intercompany profits from Ares Srl products	45	27.90%	13	13
IFRS—Elimination of intercompany profits from Antares Iluminacion SAU products	1,266	25.00%	317	317
IFRS—Quota of deposit paid for Paris-Lyon Showroom—Flos Sàrl	66	31.40%	21	21
IFRS_Discounting of employee severance indemnity of Ares Srl	64	24.00%	15	15
Sundry allocations			204	204
Adjustment of Prepaid taxes due to decrease of IRES tax rate to 24%			**(101)**	**(101)**
RECEIVABLES FOR PREPAID TAX PROVISION AT YEAR END				**4,042**

37.2 DEFERRED TAXES

	TAXABLE AMOUNT	TAX RATE	DEFERRED TAXES	PROVISION FOR DEFERRED TAXES
Deferred tax provision at beginning of previous year				**1,571**
Provision for deferred taxes entries 2015 for FTA:				
IFRS_Amortised cost of capitalised financial expenses—Flos Spa	18	27.50%	5	5
IFRS_Flos Spa Trademark	143,500	31.40%	45,059	45,059
IFRS_R&D costs of Flos Spa	1,010	27.50%	278	278
IFRS_Discounting of provision for agents' termination indemnity of Flos Spa	(3)	27.50%	(1)	(1)
IFRS_Discounting of employee severance indemnity of Flos Spa	(101)	27.50%	(28)	(28)
IFRS_Revaluation of Antares Iluminacion S.A.U.	2,963	30.00%	889	889
IFRS_R&D Costs of Ares Srl	79	31.40%	25	25
IFRS_R&D Costs of Antares Iluminacion S.A.U.	627	30.00%	188	188
Utilisation in previous year of provision for deferred taxes allocated over previous years:				
IFRS_R&D costs of Flos Spa	(671)	27.50%	(185)	(185)
IFRS_Revaluation of Antares Iluminacion S.A.U.	(29)	30.00%	(9)	(9)
Exchange rate gains accrued during previous years but realised over the year	(44)	27.50%	(12)	(12)
Other uses			(1,366)	(1,366)
Allocation of deferred taxes over previous year:				
Exchange rate gains accrued over the year, but still unrealised	55	27.50%	15	15
IFRS_R&D Costs of Antares Iluminacion S.A.U.	44	30.00%	13	13
IFRS_R&D Costs of Ares Srl	78	31.40%	24	24
Adjustment of Deferred taxes due to decrease of IRES tax rate to 24% (IFRS_Trademark)	**(143,500)**	**3.50%**	**(5,022)**	**(5,022)**
Deferred tax provision at end of previous year				**41,445**
Utilisation in current year of provision for deferred taxes allocated over previous years:				
IFRS_R&D costs of Flos Spa	(339)	27.50%	(93)	(93)
IFRS_R&D Costs of Ares Srl	(69)	31.40%	(22)	(22)
IFRS_R&D Costs of Antares Iluminacion S.A.U.	490	25.00%	122	122
IFRS_Revaluation of Antares Iluminacion S.A.U.	(29)	25.00%	(7)	(7)
Exchange rate gains accrued during previous years but realised over the year	(55)	27.50%	(15)	(15)
2008 amortisation on assets purchased and operating in 2008—Flos Spa	(168)	27.50%	(46)	(46)
Other uses			(37)	(37)
Allocation of deferred taxes over current year:				
Exchange rate gains accrued over the year, but still unrealised	130	24.00%	31	31
IFRS_Discounting of provision for agents' termination indemnity of Flos Spa	15	24.00%	4	4
IFRS_Discounting of employee severance indemnity of Flos Spa	(5)	24.00%	(1)	(1)
IFRS_R&D Costs of Antares Iluminacion S.A.U.	(439)	30.00%	(132)	(132)
IFRS_R&D Costs of Ares Srl	152	27.90%	42	42
Adjustment of Deferred taxes due to decrease of IRES tax rate to 24% (Italy)			**(1)**	**(1)**
Adjustment of Deferred taxes due to decrease of tax rate to 25% (Spain)			**(158)**	**(158)**
PREPAID TAX PROVISION AT END OF YEAR				**41,132**

38 FEES TO DIRECTORS AND BOARD OF STATUTORY AUDITORS

The costs relating to the fees of the company bodies during 2016 are shown below:

	Remuneration
Board of Directors (including contributions)	3,226
Board of Statutory Auditors and Supervisory Boards	177
Audit firm	182
TOTAL REMUNERATION	**3,585**

39 DISCLOSURE ON RELATED PARTIES

Please refer to the Management Report for the disclosure pertaining to related parties.

It is worth noting that sales and purchases with related parties are carried out with the same terms and conditions as those prevailing in free market transactions. The open balances at year-end are not insured, do not generate interest and settlement is spot. Guarantees for receivables and payables contracted with related parties were neither given nor received. The Group did not record any impairment for receivables contracted with related parties in the year ended 31 December 2016. This valuation is made every year, on every reporting date, by examining the financial position of the related party and the market in which the related party operates.

40 IMPORTANT EVENTS OCCURRED AFTER YEAR-END

As regards important events occurred after year-end, it should be noted that on 31 January 2017 the Parent Company purchased a further 10% interest in the subsidiary Light Contract S.r.l., thus owning now 70% of the company. The price paid, amounting to € 541 thousand, was determined based on the shareholders' equity of the subsidiary as at 31 December 2016.

41 FAIR VALUE MEASUREMENT

The hierarchy of the fair value measurement for Group liabilities as at 31 December 2015 and 31 December 2016 is shown in the following table.

	Measurement of fair value through			
	Prices listed in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	TOTAL
Liabilities measured at fair value:				
2015				
Senior Loan	—	—	184,656	**184,656**
Liabilities for IRS	—	—	142	**142**
2016				
Senior Loan	—	—	158,503	**158,503**
Liabilities for IRS	—	—	2,240	**2,240**

There were no transfers between Level 1 and Level 2 during the year.

42 FINANCIAL LIABILITIES

The following table shows the characteristics of the credit lines in place as at 31 December 2016.

CREDIT LINE	EXECUTION DATE	RATE APPLIED	OPENING AMOUNT	CURRENT PAYABLES AS AT 31.12.2016	NON-CURRENT PAYABLES AS AT 31.12.2016
Line A—Amortising ...	25-Nov-2014	Euribor + 3.75%	45,000	5,631	12,293
Line B—Bullet	25-Nov-2014	Euribor + 4.25%	120,000	—	111,779
Revolving line	25-Nov-2014	Euribor/Libor 3.75%	20,000	—	—
Capex line—Amortising ...	25-Nov-2014	Euribor + 3.75%	20,000	—	—
Additional Facility line	22-Jun-2015	Euribor + 4.25%	30,000	—	27,945
Accrued liability				856	—
			235,000	**6,487**	**152,017**

The balance of € 158,504 thousand is net of the amortised cost of € 6,895 thousand.

The Mark to Market of the two derivative financial instruments in place as at 31 December 2016 is summarised below:

SUBSCRIPTION DATE	MATURITY DATE	NOTIONAL	CURRENCY	MARK TO MARKET AS AT 31/12/2016
16-Oct-2015	2-Dec-2021	EUR	30,000	(656)
6-Mar-2015	2-Dec-2021	EUR	120,000	(1,584)

43 FAIR VALUE

The following table shows the comparison, by single class, between book value and fair value of financial instruments owned by the Group.

	BOOK VALUE		FAIR VALUE	
	2016	2015	2016	2015
Financial assets:				
IRS	—	48	—	48
TOTAL FINANCIAL ASSETS	**—**	**48**	**—**	**48**
Financial liabilities:				
Senior Loan	158,503	184,656	158,503	184,656
Liabilities for IRS	2,240	142	2,240	142
TOTAL FINANCIAL LIABILITIES	**160,743**	**184,798**	**160,743**	**184,798**

Management verified that the fair value of the cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the book value consequent to the short-term maturities of these instruments.
The fair value of the financial assets and liabilities is shown at the amount for which the instrument might be exchanged in a current transaction between willing parties rather than in a forced sale or a liquidation. The following methods and assumptions were used to estimate the fair value:

- Long-term receivables and loans, both fixed rate and variable rate, are measured by the Company based on parameters such as interest rates, specific risk factors for each country, individual creditworthiness of each customer and the characteristic risk of the financial project. Based on this measurement, the provisions for the losses expected on these receivables are recorded in accounting.

- The fair value of listed securities and bonds is based on the price listed on the date of the financial statements. The fair value of the unlisted instruments, such as bank loans or other financial liabilities, obligations arising from financial leasing or as other non-current financial liabilities, is estimated through the future cash flows discounted applying the current rates available for liabilities with similar terms, such as credit risk and the remaining deadlines. In addition to being sensitive to reasonably possible changes in the expected cash flows or the discount rate, the fair value of the instruments representative of capital is also sensitive to reasonably possible changes in growth rates. The measurement requires Management to use unobservable input data, illustrated above. Management regularly defines a range of reasonably possible alternatives for these significant unobservable input data and determines their impact on the total fair value.
- The fair value of the unlisted ordinary shares was estimated using the discounted cash flow model. The measurement requires Management to make certain assumptions regarding the model's inputs, including expected cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the interval can be reasonably checked and they are used in Management's estimates of the fair value for these unlisted investments.
- The fair value of the financial assets available for sale is taken from the prices listed by the market in the active markets, if available.
- The Company executes derivative financial instruments with different counterparties, which are mostly financial institutes with an assigned credit rating. The derivatives measured using valuation techniques with observable market data consist of swaps on interest rates. The models consider different inputs, including the counterparty's credit quality and the forward rates. As at 31 December 2016, the Mark-to-Market value of the derivative assets was shown net of an adjustment associated with recognition of the default risk of the counterparty in the derivative contract.

These Consolidated Financial Statements, comprising the Consolidated statement of Financial Position, Consolidated statement of Profit/Loss of the year, Consolidated statement of the Other Comprehensive Income (Expense), Consolidated statement of changes in Shareholders' Equity, Consolidated Cash Flow Statement and Explanatory Notes, present a true and fair view of the financial position, results of operations for the year and correspond to the book entries.

Bovezzo, 29th March 2017
For the Board of Directors
The Chairman
Vitaliano Borromeo Arese

Building a better working world

Flos S.p.A.

Consolidated financial statements as at 31 December 2016

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

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Building a better working world

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of Flos S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Flos Group, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit/loss of the year, the consolidated statement of the other comprehensive income (expense), the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Flos S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Seae Legaie: Via Po, 32 - 00198 Roma
Capitaie Socials deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 i.v.
iscntta aha S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Flos Group as at 31 December 2016, 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the report on operations[1] with the consolidated financial statements

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the consolidated financial statements. The Directors of Flos S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on Operations is consistent with the consolidated financial statements of Flos Group as at 31 December 2016.

Brescia, 4 April 2017

EY S.p.A.
Signed by: Stefano Colpani, partner

This report has been translated into the English language solely for the convenience of international readers.

1 The Report on Operations is not included in this Offering Memorandum

FLOS S.p.A.

Registered Offices: Via Angelo Faini 2—25073 Bovezzo (BS), Italy
Company Register of BRESCIA—Tax code and registration No. 00290820174
Economic and Administrative Index of Brescia No. 144607—AEE Reg. No. IT08020000000861
Fully paid-up share Capital € 1,875,000.00
VAT no. 00290820174

Consolidated Financial Statements as at 31 December 2015

Consolidated statement of financial position—Assets as at 31 December 2015

Amounts in thousands of euro	Notes	31 December 2015	31 December 2014	01 January 2014
Non-current assets				
Intangible fixed assets				
—Goodwill	**7**	353,766	610	610
—Other intangible fixed assets	**8**	148,715	5,524	6,199
Property, plant and machinery	**9**	57,433	47,407	49,080
Deferred tax assets	**36**	3,348	2,734	2,626
Non-current financial assets	**10**	611	558	902
Other non-current assets	**11**	651	264	335
Total non-current assets		**564,524**	**57,099**	**59,752**
CURRENT ASSETS				
Inventories	**12**	25,899	21,253	20,328
Trade receivables	**13**	32,228	29,125	30,663
Tax assets and other assets				
—Current tax credit and due from tax authorities	**14**	4,139	1,408	3,030
—Other assets	**15**	1,249	1,430	1,890
Current financial assets		116	26	—
Cash and cash equivalents and short-term deposits	**16**	37,903	43,860	30,923
Total current assets		**101,533**	**97,102**	**86,834**
Assets held for disposal	**17**	225	—	—
TOTAL ASSETS		**666,282**	**154,201**	**146,585**

Consolidated statement of financial position—Liabilities as at 31 December 2015

Amounts in thousands of euro		31 December 2015	31 December 2014	01 January 2014
SHAREHOLDERS' EQUITY				
Share capital		1,875	1,875	1,875
Other reserves		375,634	61,341	72,745
Reserve for actuarial gains and losses		(164)	(140)	—
FTA reserve		3,251	3,251	3,251
Profit/(Loss) carried forward		(18,192)	(194)	(812)
Profit for the year		19,958	20,905	18,235
Total shareholders' equity of the Group	**18**	**382,362**	**87,038**	**95,294**
Minority shareholders' equity		3,517	2,595	5,118
Net profit attributable to minority interest		1,604	2,077	1,963
Total shareholders' equity	**18**	**387,483**	**91,710**	**102,375**
NON-CURRENT LIABILITIES				
Defined benefit plans	**19**	2,856	1,952	1,739
Provisions for contingencies and other charges	**20**	1,970	1,304	965
Non-current financial liabilities	**21**	187,305	6,621	7,129
Deferred taxes	**37**	41,464	1,571	1,619
Other non-current liabilities				
—Other non-current liabilities	**22**	165	163	346
Total non-current liabilities		**233,761**	**11,611**	**11,798**
Current liabilities				
Current financial liabilities	**21**	6,283	19,598	646
Trade payables	**23**	27,494	21,796	22,198
Tax payables and other liabilities				
—Current tax payables and due to tax authorities	**24**	2,248	1,648	1,660
—Due to social security institutions	**24**	1,154	927	1,028
—Due to personnel and other payables	**24**	7,858	6,912	6,882
Total current liabilities		**45,037**	**50,881**	**32,412**
TOTAL LIABILITIES		**278,798**	**62,491**	**44,211**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**666,282**	**154,201**	**146,585**

Consolidated income statement for the year as at 31 December 2015

Amounts in thousands of euro	Notes	2015	2014
Revenues	**25**	178,635	158,803
Other revenues and income	**26**	2,336	3,081
Total revenues		**180,971**	**161,883**
Purchases of raw materials and change in inventory	**27**	(53,521)	(48,327)
Personnel costs	**28**	(27,113)	(23,858)
Service costs	**29**	(50,131)	(44,894)
Provisions	**30**	(1,303)	(471)
Other costs and charges	**31**	(4,977)	(5,013)
Total costs		**(137,046)**	**(122,564)**
Amortisation, depreciation and write-downs	**32**	(7,486)	(7,028)
EBIT		**36,439**	**32,291**
Financial income	**33**	1,037	1,138
Financial charges	**34**	(12,928)	(1,076)
Profit/(loss) before tax coming from continuing operations		**24,548**	**32,353**
Income taxes	**35**	(3,063)	(9,371)
Net profit/(loss) coming from continuing operations		**21,485**	**22,982**
Net profit of discontinued operations		77	—
Profit for the year		**21,562**	**22,982**
Attributable to:			
Shareholders of the Parent Company		19,958	20,905
Minority interests		1,604	2,077
		21,562	**22,982**

Consolidated statement of the other components of the comprehensive income as at 31 December 2015

Amounts in thousands of euro	Notes	2015	2014
Profit for the year		**21,562**	**22,982**
Other components of the comprehensive income that may be restated in the profit/(loss) for the year			
Exchange difference on translating foreign financial statements		828	(71)
		828	(71)
Total other components of the comprehensive income that may be restated in the profit/(loss) for the year, net of tax		**828**	**(71)**
Total other components of the comprehensive income that may not be restated in the profit/(loss) for the year, net of tax			
(Loss)/profit from revaluation on defined benefit plans	**19**	**44**	(140)
		44	**(140)**
Total other components of the comprehensive income that may not be restated in the profit/(loss) for the year, net of tax		**44**	**(140)**
Total other components of the comprehensive income, net of tax		**872**	(211)
Total comprehensive profit/(loss) income, net of tax		**22,434**	**22,771**
Attributable to:			
Shareholders of the Parent Company		20,830	20,694
Minority interests		1,604	2,077
		22,434	**22,771**

Consolidated statement of changes in shareholders' equity as at 31 December 2015

	2015										
	Share Capital	Revaluation reserve	Legal reserve	Statutory reserve	Consolidation reserve	Other reserves	Conversion reserve	Employee severance indemnity discounting reserve	FTA reserve	Profit carried forward	Profit fo the yea
Balance as at 1 January 2015	**1,875**	**17,031**	**500**	**39,731**	**19,093**	**(13,274)**	**(1,739)**	**(140)**	**3,251**	**(194)**	**20,905**
Profit for the year										—	19,958
Other components of the profit and loss account							828	44			
Profit grand total	**—**	**—**	**—**	**—**	**—**	**—**	**828**	**44**	**—**	**—**	**19,958**
2015 Dividends											
Share capital increase						20,000					
Profit allocation 2014										20,905	(20,905
Merger effects						294,052		(68)		(38,903)	
Other changes						(586)					
Balance as at 31 December 2015	**1,875**	**17,031**	**500**	**39,731**	**19,093**	**300,191**	**(911)**	**(164)**	**3,251**	**(18,192)**	**19,958**

Consolidated statement of changes in shareholders' equity as at 31 December 2014

	2014										
	Share Capital	Revaluation reserve	Legal reserve	Statutory reserve	Consolidation reserve	Other reserves	Conversion reserve	Employee severance indemnity discounting reserve	FTA reserve	Profit carried forward	Profit for the year
Balance as at 1 January 2014	**1,875**	**11,355**	**500**	**43,457**	**19,093**	**9**	**(1,668)**	**—**	**3,251**	**(812)**	**18,235**
Profit for the year	—	—	—	—	—	—	—	—	—	—	20,905
Other components of the profit and loss account	—	—	—	—	—	—	(71)	(140)	—	—	—
Profit grand total	**—**	**—**	**—**	**—**	**—**	**—**	**(71)**	**(140)**	**—**	**—**	**20,905**
2014 Dividends	—	—	—	—	—	—	—	—	—	—	(4,500
Remuneration paid	—	—	—	—	—	—	—	—	—	—	(2,647
Profit allocation 2013	—	—	—	1,781	—	8,721	—	—	—	618	(11,088
Acquisition of minority interests						(22,004)	—				
Other changes	—	5,676	—	(5,507)	—	—	—	—	—	—	—
Balance as at 31 December 2014	**1,875**	**17,031**	**500**	**39,731**	**19,093**	**(13,274)**	**(1,739)**	**(140)**	**3,251**	**(194)**	**20,905**

Consolidated cash flow statement

amounts in thousands of euro	Notes	2015	2014
PROFIT FROM OPERATIONS AFTER TAX		21,562	22,982
Adjustments to reconcile the profit before tax with the net cash flows:			
Depreciation and impairment of property, plant and machinery	**9**	3,732	3,433
Amortisation and impairment of intangible fixed assets	**8**	3,223	3,222
Other write downs of fixed assets		—	—
Financial income	**33**	(1,037)	(1,138)
Financial charges	**34**	12,928	1,076
Income taxes	**35**	3,063	9,371
Write down of current assets		—	313
Net change in employee severance indemnities and pension funds	**19**	(122)	72
Net change in contingencies and other charges	**20**	532	339
Net change in deferred tax assets and liabilities		(753)	(156)
Changes in working capital:			
(Increase)/decrease of inventories	**12**	(321)	(925)
(Increase)/decrease of trade receivables	**13**	5,178	1,224
(Increase)/decrease of other non-financial assets	**11**	(2,529)	2,127
Increase/(decrease) of trade payables	**23**	1,464	(402)
Increase/(decrease) of tax payables	**24**	(3,821)	(9,383)
Increase/(decrease) of other non-financial liabilities	**22**	(1,883)	790
NET CASH FLOWS FROM OPERATIONS		19,653	9,964
Investing activities:			
Purchases of tangible fixed assets	**9**	(10,431)	(2,498)
Purchases of tangible fixed assets	**9**	334	66
Purchases in intangible fixed assets, net	**8**	(2,887)	(2,440)
Acquisition of subsidiaries, net of cash acquired	**6**	(54,627)	—
NET CASH FLOWS FROM INVESTING ACTIVITIES		(67,611)	(4,872)
Financing activities:			
(Increase)/decrease of financial receivables	**10**	(142)	1,481
Increase/(decrease) of financial payables	**21**	(5,902)	(1,617)
Dividends paid to shareholders of the Parent Company	**18**	—	(4,500)
Dividends paid to minority interests	**18**	(1,100)	(768)
Acquisition of minority interests	**18**	—	(7,014)
Share capital increase	**18**	20,000	—
Change in conversion reserve	**18**	7,542	(71)
Other changes in shareholders' equity	**18**	—	(2,647)
CASH FLOWS FROM FINANCING ACTIVITIES		20,398	(15,136)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(5,958)	12,938
Net cash and cash equivalents at beginning of the period		43,860	30,923
Net cash and cash equivalents at end of the period		37,903	43,860

Explanatory notes to the consolidated financial statements

1. Company information

On 24 March 2016, the Board of Directors authorised publication of the Flos S.p.A. (the Company) consolidated financial statements for the year that ended on 31 December 2015. Flos S.p.A. is a joint stock company registered and domiciled in Italy. Its registered offices are in BOVEZZO (BS), Italy.

FLOS was incorporated in Merano, Italy, in 1962. Flos is the leading brand in the high-end design and lighting sector. Ever since it was established, in 1962, the Company has been universally recognised for the excellence of its design achieved through exclusive collaboration agreements with the best architects of the last 50 years.

The Flos Group operates through four main business lines:

- the "Design" collection, which represents the historic core business of FLOS, developed and produced by the Parent Company in Bovezzo (BS);
- the "Architectural" collection, developed and produced by the subsidiary Antares Ilumination S.A.U., located in Valencia, Spain;
- the "Custom" collection, developed and produced by the subsidiary Light Contract Srl in Collebeato (BS);
- the "Outdoor" collection, developed and produced by the newly acquired company, Ares, located in Bernareggio (MI).

2. Extraordinary operations

On 2 December 2014 Padme S.p.A. acquired the 100% of Flos S.p.A (directly from Agilulfo S.r.l.for the 26.67% and indirectly, for the remaining 73.33%, by acquiring the 100% of the parent company Arco S.p.A.). The acquisition was done by way of a leverage buy out transaction funded partly with equity and partly by a Senior Loan Facility totalling € 165 million.

On 27 July 2015 the Flos Board of Directors approved the reverse merger to incorporate the parent companies Padme S.p.A. and Arco S.p.A. (hereinafter "incorporated companies") in Flos S.p.A. (hereinafter "incorporating company"). The deeds of merger were executed on 26 October 2015 and went into effect on 28 October 2015. The accounting and tax effects of the mergers started retroactively on 1 January 2015.

Since not specifically regulated by IFRS 3 "Business combinations", being transactions involving companies under common control, such transactions were recorded on the "economic approach" basis. Applying the economic approach the assets and liabilities of the merged entities are recognised at the same value resulting from the consolidated financial statements; the surpluses/deficits arising from the merger transactions are recorded in shareholders' equity.

In light of the backdating of the merger effects to 1st January 2015, the 2014 data were restated as if the merger transaction has been carried out starting from the beginning of the year under comparison. The restatement of financial year 2014 data does not replace the data of the previous year approved by the shareholders' meeting. They are placed beside them so that the reader can compare consistent data over the two periods.

The 2015 consolidated financial statements of Flos S.p.A. implements the capital gains that the reverse merger generated (€ 255,080 thousand), as reported below:

1. Goodwill for € 315,146 thousand
2. a trademark for € 103,464 thousand, net of deferred taxes
3. financial liabilities for € 159,989 thousand
4. other non-current liabilities for € 3,541 thousand

On 26 June 2015, Flos S.p.A. acquired the 100% of Ares S.r.l. and its subsidiary Ares Italia S.r.l., two unlisted companies with registered offices in Italy, specialised in the design, production and marketing of outdoor lamps. The acquisition's rationale was the Group's need to expand the range of products offered on the market and to consolidate its position in the Outdoor segment as well (please refer to Note 6.2 for more details).

On 30 November 2015 the Flos Group acquired the 100% of Lukas Lighting Inc., a company operating in the "Custom" segment. The acquisition was completed through the subsidiary Flos Inc., a company regulated by US law with registered offices in New York (please refer to Note 6.3 for more details).

3. Reporting standard

The consolidated financial statements of the Group was prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared based on the historical cost convention, except for the derivative financial instruments and financial assets available for sale, which were recorded at fair value. The book value of the assets and liabilities whose fair value is hedged and that would otherwise be recorded at amortised cost is adjusted to take into account changes in fair value attributable to the hedged risks.

The consolidated financial statements are presented in euro, and all values are rounded to the thousands of euro unless otherwise specified.

The consolidated financial statements provide comparative information referring to the previous year.

4. Consolidation principles

The consolidated financial statements include the financial statements of Flos S.p.A. and its subsidiaries as at 31 December 2015.

Control is obtained when the Group is exposed or is entitled to variable returns coming from its relationship with the investee entity and, at the same time, is able to affect these returns by exercising its power on said entity.

More specifically, the Group controls an investee if – and only if – the Group has:

- power over the investee entity (or has valid rights that give it the current ability to manage the significant activities of the investee entity);
- exposure or rights to variable returns coming from the relationship with the investee entity;
- the ability to exercise its power over the investee entity to affect the amount of its returns.

When the Group owns less than the majority of the voting rights (or similar rights), it has to consider all the significant events and circumstances in order to determine whether or not to control the investee entity, including:

- Contractual agreements with other owners of voting rights;
- Rights arising from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the events and circumstances indicate that there have been changes in one or more of the three significant elements defining control. The consolidation of a subsidiary starts when the Group obtains its control, and ends when the Group loses that same control. The assets, liabilities, revenues and costs of the acquired or transferred subsidiary during the year are included in the comprehensive profit and loss account starting from the date when the Group obtains control and stops when the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other comprehensive profit and loss account components are attributed to the shareholders of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. Whenever necessary, appropriate the financial statements of the subsidiaries are adjusted in order to ensure conformity with the accounting policies of the group. All assets and liabilities, the shareholders' equity, revenues, costs and intercompany cash flows regarding transactions between Group entities are totally eliminated during consolidation.

The changes in the shareholdings in a subsidiary that do not entail loss of control are recorded under shareholders' equity.

If the Group loses the control of a subsidiary, it has to eliminate its assets (including goodwill), liabilities, minority interests and the other shareholders' equity components, while any profit or loss is recorded on the profit and loss account. The shareholding kept, if any, has to be recognised at fair value.

The companies included in the line by line consolidation of the FLOS Group as at 31 December 2015 are:

Legal name	Share Capital 31.12.2015	Direct Shareholding as at 31.12.2015	Share Capital 31.12.2014	Direct Shareholding as at 31.12.2014	Share Capital 01.01.2014	Direct Shareholding as at 01.01.2014
LIGHT CONTRACT SRL	13	60%	13	60%	13	60%
FLOS ROMA SRL	31	100%	31	100%	31	100%
EUROFORMAT SRL	52	100%	52	100%	52	100%
FLOS GMBH	300	100%	300	100%	300	100%
FLOS SARL	61	100%	61	100%	61	100%
FLOS JAPAN CO. LTD	JPY 40,000	100%	JPY 40,000	100%	JPY 40,000	100%
FLOS USA INC.	USD 432	98.36%	USD 432	98.36%	USD 432	98.36%
FLOS BENELUX NV	100	100%	100	100%	100	100%
FLOS SCANDINAVIA AS	DKK 1,429	55%	DKK 1,429	55%	DKK 1,429	55%
FLOS NORGE AS	NOK 1,500	55%	NOK 1,500	55%	NOK 1,500	55%
FLOS SVERIGE AB*	SEK 100	55%(*)	SEK 100	55%(*)	SEK 100	55%(*)
ANTARES ILUMINACION S.A.U.	401	100%	401	100%	401	89.50%
FLOS BV	450	100%	450	100%	450	100%
FLOS LIGHTING DESIGN BEIJING CO LTD***	CNY 4,003	100%	CNY 4,003	100%	CNY 4,003	100%
FLOS MILANO SRL	100	100%	100	100%	100	100%
FLOS UK LTD	186	100%	186	100%	186	100%
FLOS ILLUMINATION CO LTD (SHANGHAI)**	CNY 4,000	100%	CNY 4,000	100%	CNY 4,000	
ANTARES ILUMINATION PTE LTD (SING)**	SGD 0.1	100%	SGD 0.1	100%	SGD 0.1	89.50%
ARES S.R.L.	78	100%	—	—	—	—
ARES ITALIA S.R.L.****	63	100%	—	—	—	—
LUKAS LIGHTING INC (USA)****	USD 0.1	98.36%				

Please note that Ares Srl and Ares Italia, acquired in June 2015, and Lukas Lighting, acquired in November 2015, have entered the scope of consolidation.

* Note 1: The shareholding in Flos Sverige AB is held by Flos Scandinavia. Consequently, the Group's indirect holding is 55%.

** Note 2: The equity investments in Flos Iluminacion Co, Ltd (Shanghai) and Antares Iluminacion Pte Ltd (Singapore) are entirely held by Antares Iluminacion S.A.U. (ES), therefore the indirect equity investment of the Group is 100%.

*** Note 3: The company Flos Lighting Design Beijing Co Ltd is in liquidation

**** Note 4: The shareholding in Ares Italia Srl is held by Ares Srl (acquired on 30 June 2015). Consequently, the Group's indirect holding is 100%.

***** Note 5: The shareholding in Lukas Lighting Inc is held by Flos USA Inc, which acquired the total shareholding in November. Consequently, the Group's indirect holding is 98.36%.

5. Summary of the main accounting principles

5.1 Business combinations and goodwill

Business combinations are recorded using the purchase method. The cost of an acquisition is determined as the sum of the transferred consideration, measured at fair value as at the date of acquisition, and of the amount of the minority interest in the acquired company. The Group decides whether to measure the minority interest in the acquired company at fair value or in proportion to the minority shareholding in the identifiable net assets of the acquired company for each business combination. The acquisition costs are paid during the year and classified as administrative costs.

When the Group acquires a business, it classifies or designates the acquired financial assets or the liabilities assumed in agreement with the contractual terms, the economic conditions and the other pertinent conditions in effect on the date of acquisition. This includes the audit, to determine if an embedded derivative has to be separated from the primary contract.

If the business combination is carried out in several steps, the previously held shareholding is taken back to the fair value at the date of acquisition and any resulting profit or loss is recorded on the profit and loss account.

A potential consideration to pay is recorded by the purchaser at the fair value at the date of acquisition. The change in fair value of the potential consideration classified as asset or liability, such as a financial instrument covered by IAS 39 Financial instruments: recognition and measurement, has to be recognised on the profit and loss account or on the statement of the other components of the comprehensive profit and loss account. In those cases in which the potential consideration does not fall within the scope of IAS 39, it is measured according to the appropriate IFRS. If the potential consideration is classified under shareholders' equity, its value is not recalculated and its subsequent payment is recorded in shareholders' equity.

Goodwill is initially recognised at the cost represented by the surplus of the whole of the consideration paid and the amount recorded for the minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the acquired net assets exceeds the whole of the consideration paid, the Group once again checks whether it has correctly identified all the acquired assets and all the assumed liabilities and reviews the procedures used to determine the amounts to record at the date of acquisition. If the new evaluation again shows that the fair value of the net acquired assets is higher than the consideration, the difference (profit) is recorded on the profit and loss account.

Goodwill is measured at cost net of the accumulated impairment following the initial recognition. In order to test impairment, the goodwill acquired in a business combination is allocated, starting from the date of acquisition, to each cash generating unit of the Group for which benefits from the synergies of the combination are expected, regardless of the fact that other assets or liabilities of the acquired entity are assigned to these units.

If the goodwill has been allocated to a cash generating unit and the entity disposes of part of the assets of this unit, the goodwill associated with the disposed of assets is included in the book value of the asset when the profit or loss of the disposal is determined. The goodwill associated with the disposed of asset is calculated on the basis of the values regarding the disposed of asset and of the part of the cash generating unit kept.

5.2 Current/non-current classification

The assets and liabilities on the Group financial statements are classified according to the current/non-current criterion.

An asset is current when:

- it is assumed to be realised, or held for sale or consumption, in normal execution of the operational cycle;
- it is mainly held to be traded;
- it is assumed to be realised within twelve months from the date the financial year ends; or
- consists of cash and cash equivalents unless its trading or use has been prohibited for settling a liability for at least twelve months from the date the financial year ends.

All the other assets are classified as non-current.

A liability is current when:

- its settlement is expected during its normal operational cycle;
- it is mainly held to be traded;
- it has to be settled within twelve months from the date the financial year ends; or
- the entity has no unconditional right to defer settlement of the liability for at least twelve months from the date the year ends.

The Group classified all the other liabilities as non-current.

Assets and liabilities for prepaid and deferred taxes are classified as non-current assets and liabilities.

5.3 Converting financial statements stated in a currency other than the functional currency

The rules for converting the financial statements of the subsidiaries stated in a currency other than the euro are:

- assets and liabilities are converted using the exchanges rates of the date of reference of the consolidated financial statements (31 December);
- costs and revenues are converted at the average exchange rate of the period;
- the "conversion reserve" contains both the exchange rate differences generated by the conversion of the economic figures at a rate other than the end date rate and those generated by converting the opening shareholders' equities at an exchange rate other that of the end date rate for the reporting period;
- goodwill and adjustments coming from the fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the period end date exchange rate.

The exchange rates applied when converting asset and liability balances into a currency other than the euro as at 31 December 2015, 31 December 2014 and 1 January 2014, as well as the average rates for the period 1 January – 31 December 2015 and 1 January – 31 December 2014 are:

	31/12/2015		31/12/2014		01/01/2014
.	Exchange rate – end of the year	Average exchange rate	Exchange rate – end of the year	Average exchange rate	Exchange rate – end of the year
USD – USA	1.089	1.110	1.214	1.329	1.379
JPY – JAPAN	131.070	134.314	145.230	140.306	144.720
DKK – DENMARK	7.463	7.459	7.445	7.455	7.459
NOK – NORWAY	9.603	8.950	9.042	8.354	8.363
GBP – UK	0.734	0.726	0.779	0.806	0.779
CNY – PRC	7.061	6.973	7.536	8.186	8.349

5.4 Measurement of fair value

The Group measures the non-financial assets at fair value at every year-end.

Fair value is the price that would be received for the sale of an asset or that would be paid for transfer of a liability in a normal transaction between market operators at the date of measurement.

A measurement of fair value assumes that the sale of the asset or transfer of the liability takes place:

a) in the main market of the asset or liability; or

b) when there is no main market, in the market most advantageous for the asset or liability.

The main market or most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured by adopting the assumptions that the market operators would use in determining the price of the asset or liability, presuming that they act to meet their economic interest in the best way.

Measurement of the fair value of a non-financial asset considers the capability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator that would use it in its maximum and best use.

The Group uses measurement techniques that are adapted to the circumstances and for which there are sufficient data available for measuring the fair value while maximising the use of significant observable inputs and minimising the use of non-observable inputs.

All assets and liabilities for which the fair value is measured or stated in the financial statements are classified based on the fair value hierarchy, as described below:

- Level 1 – the listed (not adjusted) prices in active markets for identical assets or liabilities to which the entity can gain access on the date of measurement;
- Level 2 – Inputs other than the listed prices included in Level 1, directly or indirectly observable for the asset or liability;
- Level 3 – measurement techniques for which the input data are not observable for the asset or liability.

The measurement of fair value is entirely classified in the same level of the fair value hierarchy in which the lowest hierarchy level input used for the measurement is classified.

For the assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether any transfers between the hierarchy levels have occurred and reviews the classification (based on the lowest level input, which is significant for the purpose of measuring the fair value in its entirety) at every year-end.

The Group determines the classes of assets and liabilities based on the type, characteristics and risks of the asset or liability, and the hierarchy level of the fair value as described above, when disclosing information on the fair value.

5.5 Recognition of revenues

Revenues are recognised to the extent in which it is probable that the Group achieves the economic benefits and the relevant amount can be reliably determined, regardless of the date of collection. The revenues are measured at the fair value of the consideration received or to receive, taking into account the contractually defined terms of payment and leaving out taxes and duties. The Group has concluded that it is operating on its own behalf in all contracts of sale since it is the primary debtor, has discretionary power over pricing policy and is also exposed to inventory risk and credit risk.

The following specific recognition criteria must also be followed when recognising revenues:

5.5.1 Sale of goods

The revenue is recognised when the company has transferred all significant risks and benefits connected with ownership of the good to the purchaser, which is usually the date the good is delivered.

The revenue is measured at the fair value of the consideration received or to receive, after returns and allowances, trade discounts and reductions of volume. The Group provides a two-year warranty on repair, in line with industry practices. A liability is recognised when the product has been sold. The Group does not give customers other warranties or maintenance contracts.

5.5.2 Rents

Rents coming from investment property are recognised on a straight-line basis along the duration of the lease agreements in force on the balance sheet date, and are classified as revenues, taking their operational nature into account.

5.6 Income taxes

5.6.1 Current taxes

Current tax assets and liabilities of the year are measured for the amount expected to recover from or pay to the tax authorities. The rates and tax regulations used to calculate the amount are those issued, or basically in effect, on the year-end date in the countries where the Group operates and generates its taxable income.

Current taxes regarding elements directly recorded in shareholders' equity are also recorded in shareholders' equity and not in the year's profit/(loss) statement. Management periodically assesses the position taken in the income tax return in those cases in which the tax laws are subject to interpretations and, where appropriate, allocates provisions.

5.6.2 Deferred taxes

Deferred taxes are calculated by applying the liability method to the temporary differences between the asset and liability tax values and the corresponding financial statement values as at the balance sheet date.

Deferred tax liabilities are recognised on all taxable temporary differences with the following exceptions:

- deferred tax liabilities originate from the initial recognition of goodwill of either an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the balance sheet result nor the tax result;
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be controlled, and it is probable it does not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences of tax credits and losses not used and that can be carried forward in the extent in which it is probable that sufficient future taxable income will be available that can permit use of the deductible temporary differences and tax credits and losses carried forward, except the cases in which:

- the deferred tax liability connected with the deductible temporary differences originates from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, affects neither the balance sheet result nor the tax result;

- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognised only to the extent in which it is probable that they will reverse in the foreseeable future and that there is sufficient taxable income to permit recovery of these temporary differences.

The book value of the deferred tax assets is reviewed every year-end and reduced to the extent in which it is no longer probable that sufficient taxable income so as to permit all or partial use of this credit will be available in the future. Deferred tax assets not recognised are reviewed at every year-end and are recognised to the extent in which it becomes probable that the tax receipts will suffice to consent recovery of these deferred tax assets.

Deferred tax assets and liabilities are measured based on the tax rates expected to be applied in the year in which these assets will be realised or these liabilities will be settled, considering the current rates and those enacted, or basically in force, as at the balance sheet date.

Deferred taxes regarding elements recognised outside the profit and loss account are also recognised outside the profit and loss account, therefore in the shareholders' equity or comprehensive profit and loss account, consistent with the element to which they refer.

Deferred tax assets and liabilities are offset where there is a legal right that permits offsetting current tax assets and liabilities, and the deferred taxes refer to the same taxpayer and to the same tax authority.

Tax benefits acquired following a business combination, but that do not meet the criteria for separate recognition as at the date of acquisition, may be recognised afterwards, when new information on the changes in events and circumstances is obtained. The adjustment is recognised as reduction of the goodwill (until the goodwill value is reached) in the case in which it is recognised during the measurement period, or in the profit and loss account if recognised afterwards.

5.6.3 Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as the value-added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognised as part of the purchase cost of the asset or part of the cost recorded in the profit and loss account;
- Trade receivables and payables include the applicable indirect tax.

The net amount of the indirect taxes to recover from or pay to the tax authority is included in the financial statements as a receivable or a liability.

5.7 Assets held for disposal

The Group classifies the non-current assets and the divested groups as held for distribution to the shareholders of the parent company if their book value will be mainly recovered with a distribution transaction instead of through their ongoing use. These non-current assets and divested groups classified as held for distribution to the shareholders are measured at the book value or the fair value net of sale or distribution costs, whichever is less. Distribution costs are the additional costs directly attributable to distribution, not including financial charges and taxes.

The condition for classification as held for distribution is considered met only when the distribution is highly probable and the divested asset or group is available for immediate distribution in its present conditions. The actions required for completing the distribution should indicate that it is improbable that significant changes in the distribution might occur or that the distribution will be cancelled. Management must be engaged in the distribution, whose completion should be planned within one year from the date of classification.

The depreciation of property, plant and machinery and amortisation of the intangible fixed assets ceases when they are classified as available for distribution to the shareholders.

The assets and liabilities classified as held for distribution to the shareholders are presented separately amongst the current financial statement items.

A divested group is classified as a discontinued operation if it is part of an entity that has been discontinued or is classified as held for sale, and:

- It represents an important independent branch of activity or a geographical area of activity,
- It is part of a single coordinated plan to dispose of an important independent branch of activity or a geographical area of activity,
- It is a subsidiary acquired only in order to be resold.

The assets held for disposal are not included in the result of operational activities and are presented in the profit/(loss) statement for the year on a single line as Net profit/(loss) coming from assets held for disposal.

More information is provided in Note 17. All the other explanatory notes include amounts concerning continuing operations, unless otherwise specified.

5.8 Property, plant and machinery

Property, plant and machinery are measured at purchase cost or production cost, net of the accumulated depreciation and any accumulated impairment. The cost includes all charges directly sustained to prepare the assets for being used, and any disposal or removal costs that will be sustained as a result of contractual obligations that require the good to be brought back to its original conditions. Any interest expense borne for the acquisition, production or construction of the property, plant and machinery is capitalised on the value of the relevant good until it is available for use.

The costs borne for routine and/or periodic maintenance and repairs are directly charged to the profit and loss account for the year in which they are borne. The costs pertaining to expansion, modernisation or improvement of the structural elements owned or used by third parties are capitalised only within the limits in which they meet the requirements to be separately classified as an asset or a part of an asset applying the component approach criterion. Likewise, costs to replace identifiable components of complex goods are charged to balance sheet asset and are depreciated based on their estimated useful life. The residual recognition value of the component replaced is charged to the profit and loss account.

The recognition value of the property, plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the date when the asset is available and ready for use, depending on the estimated useful life. In particular, depreciation is booked starting from the month when the asset is available for use, or is potentially able to provide the economic benefits associated with it and are charged monthly on a straight-line basis using rates that allow the assets to be depreciated until the useful life is depleted or, for disposals, until the last month of use.

The annual depreciation rates representing the estimated useful life for tangible fixed asset categories are:

Depreciation rates	% Depreciation year 2015
Land and buildings:	
Buildings	3%
Commercial property	10%
Light buildings	10%
Plant and machinery:	
Automatic machinery	15.5%
General / Specific equipment	10%
Industrial and commercial equipment	
Moulds and equipment	25%
Furniture for showroom and fair	12%
Other assets:	
Furniture for office	12%
Office machines	20%
Vehicles and internal means of transport	20%
Cars	25%

Note that the rates remained unchanged since 2014.

The useful life of the tangible assets and the residual value are reviewed and updated, where applicable, at the end of each year.

If the depreciated asset consists of distinctly identifiable elements whose useful life significantly differs from that of the other parts making up the asset, depreciation is carried out separately for each of the parts forming the asset in application of the component approach principle.

The profits and losses arising from transfers or disposals of assets are calculated as the difference between the revenue from sale and the net book value of the asset disposed of or transferred, and are charged to the profit and loss account of the pertinent year.

Leasehold improvements are classified in tangible fixed assets in line with the nature of the cost borne. The depreciation period coincides with the residual useful life of the tangible fixed asset or the residual duration of the lease contract, whichever is the shortest.
Land is not depreciated.

5.8.1 Leasehold assets

Assets held by way of financial leasing contracts, through which the risks and benefits tied to the property are basically transferred to the Group, are recognised as tangible fixed assets at their current value or, if less, at the current value of the minimum payments due for the leasing. The corresponding amount due to the lessor is shown amongst the financial liabilities on the financial statements. The assets are depreciated applying the criterion and rates previously specified for tangible fixed assets, unless the duration of the leasing contract is less than the useful life represented by said rates and there is no reasonable certainty of the transfer of ownership of the leased asset upon natural expiration of the contract; in that case, the depreciation period will be represented by the duration of the leasing contract. The cost of the rental fee is broken down into its components: financial cost, booked to the profit and loss account; and repayment of the capital, recognised as reduction of the financial liability.

The rentals in which the lessor basically retains the risks and benefits tied to ownership of the assets are classified as operational leases. Costs referring to operational leases are linearly recorded in the profit and loss account along the duration of the leasing contract.

5.9 Other intangible fixed assets

The other intangible fixed assets acquired separately are initially recognised at cost, while those acquired through business combination transactions are recognised at fair value as at the date of

purchase. Intangible fixed assets are recognised at cost net of the accumulated amortisation and any accumulated impairment following the initial recognition. Intangible fixed assets produced in-house, except for development costs, are not capitalised, and are recognised on the profit and loss account of the year in which they are incurred.

The useful life of the intangible fixed assets is evaluated as definite or indefinite.

Intangible fixed assets with definite useful life are amortised along their useful life and are tested for appropriateness of the value every time there are indications of a possible impairment. The amortisation period and amortisation method of an intangible fixed asset with definite useful life is reconsidered at least at the end of each year. The changes in the expected useful life or the methods with which the future economic benefits tied to the asset will be realised are found through the change of the period or of the amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation quotas of the intangible fixed assets with definite useful life are recognised on the profit/(loss) statement of the year in the cost category consistent with the function of the intangible asset.

The intangible fixed assets with indefinite life are not amortised, but undergo impairment testing every year both individually and on the cash generating unit level. Estimation of the indefinite useful life is reviewed each year to determine whether this attribution continues to be sustainable. Otherwise, the change from indefinite useful life to definite useful life is applied prospectively.

Profits or losses coming from elimination of an intangible fixed asset are measured by the difference between the net revenue of the disposal and the book value of the intangible asset, and are recognised on the profit/(loss) statement of the year in the year when elimination occurs.

5.9.1 Research and Development costs

Research costs are charted to the profit and loss account of the year in which they are incurred. The development costs incurred regarding a certain project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset so it is available for use or sale;
- the intention of completing the asset and its capability of using it or selling it;
- the methods with which the asset will generate future economic benefits;
- the availability of resources for completing the asset;
- the ability to reliably measure the cost attributable to the asset during development;
- the ability to use the generated intangible asset.

The development assets are measured at cost less the amortisation or accumulated impairment following the initial recognition. Amortisation of the asset begins when the development is completed and the asset is available for use. The development assets are amortised with reference to the period of the expected benefits and the relevant amortisation quotas are included in the cost of the sold product. The asset is tested for impairment each year during the development period.

5.9.2 Licenses and similar rights

Amortisation of the licenses is calculated with the straight line method in order to allocate the cost borne for acquiring the right along the period of either that of expected use and the duration of the relevant contracts, whichever is shortest, starting from the moment when the acquired right becomes exercisable. Software licenses are amortised with the straight line method over the period deemed representative of the relevant useful life, i.e. 5 years.

The amortisation rates of the other intangible fixed assets are summarised below.

Amortisation rates	Amortisation rate – Year 2015
Development costs	**33%**
Patents and intellectual property rights	**20% – 33%**
Software licenses	**20%**
Trademark registration	**10%**

Note that the rates remained unchanged since 2014 and 2013.

5.9.3 Trademark

The trademark Flos has been recorded after the purchase price allocation exercise of the goodwill arising after the reverse merger of Flos S.p.A. with Arco S.p.A. and Padme S.p.A.. Particularly , the trademark Flos has been identified as the sole intangible asset complying with the requirement of the IAS 38 and its value has been determined in Euro143,500 thousands based on an independent expert's appraisal, by applying the "relief from roylaties" method.

The Flos trademark, was considered an asset with indefinite useful life, and hence not amortised since:

- it plays a priority role in Group strategy and is one of its drivers of primary value;
- in its concept of organised tangible assets and organisation itself in the broad sense, the corporate structure is strongly related to and dependent on the spread and development of the trademark in the markets;
- the brand is proprietary, properly registered and constantly protected from the regulatory viewpoint, with options to renew the legal protection upon expiration of the registration periods that are non-onerous, easy to implement and without external impediments;
- the products that the Group markets with said trademark are not subject to particular technological obsolescence, as is however characteristic for the "luxury" market in which the Group operates, and in fact the market perceives them as constantly innovative and fashionable, so much so as to be models to be imitated or from which inspiration is drawn;
- the trademark is distinguished nationally and/or internationally by a market positioning and reputation such as to ensure its pre-eminence in the respective market segments as it is constantly associated and compared with the trademarks of absolute reference;

Every year the appropriateness of the values entered in the financial statements is checked with impairment testing, with the criteria described in the paragraph on Impairment.

5.10 Financial assets

5.10.1 Initial recognition and measurement

When first recognised, the financial assets are classified as financial receivables and assets available for sale, as the case may be.

All financial assets are initially recognised at fair value, added to which are the transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value recorded in the profit and loss account.

5.10.2 Subsequent measurement

Financial assets are classified in two categories for subsequent measurement:

- Receivables;
- Financial assets available for sale.

5.10.3 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments, not listed in an active market. Following the initial recognition, these financial assets are afterwards measured at amortised cost using the actual interest rate criterion with impairment then deducted. The amortised cost is calculated by recognising any discounts, premiums on the purchase, fees or costs that are an integral part of the actual interest rate. The actual interest rate is recognised as financial income in the profit/(loss) statement of the year. Write downs arising from impairment are recognised as financial charges in the profit/(loss) statement of the year. This category usually includes trade receivables and other receivables.

5.10.4 Financial assets available for sale

Financial assets available for sale comprise shares and debt securities. Shares classified as available for sale are those that have not been classified as held for trading or designated at fair value on the profit and loss account. Debt securities falling within this category are those held for an indefinite period and those the could be sold in response to the needs for liquidity or to a change in the market conditions.

Following initial recognition, the financial assets available for sale are measured at fair value and their gains and losses not realised are recognised as other components of the comprehensive profit and loss account, in the assets available for sale reserve, until the investment is eliminated—when the accumulated gain or loss is recorded amongst the other operating income or charges—or until an impairment emerges—when the accumulated loss is reversed from the reserve and reclassified in the year's profit/(loss) statement under financial charges.

5.10.5 Cancellation

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is cancelled in the first place (e.g., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset are extinct, or
- the Company has transferred part of the right to receive cash flows from the asset to a third party or has taken on the contractual obligation to pay them in full and without delay and (a) has essentially transferred all the risks and benefits of the ownership of the financial asset, or (b) has neither transferred nor retained essentially all the risks and benefits of the asset, but has transferred its control.

In the cases in which the Company has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it retains the contractual rights to receive the cash flows of the financial asset, but takes on a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits pertaining to the ownership. If it has neither transferred nor essentially retained all the risks and benefits, or has not lost control over it, the asset continues to be recognised on the Flos financial statements to the extent of its residual involvement in the asset. In this case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the rights and obligations pertaining to Flos that remain.

5.10.6 Impairment of financial assets

The Company checks whether a financial asset or group of financial assets has sustained impairment on every balance sheet date. An impairment exists when one or more events occur (when "a loss event" takes place) that have an impact on the future estimated cash flows of the financial asset or of Flos of financial assets, an impact that can be reliably estimated. The evidence of impairment can include information that a debtor or a group of debtors are in a situation of financial difficulty, inability to meet obligations, inability or delays in the payment of interest or of important payments, probability of being subject to bankruptcy procedures or

other forms of financial restructuring, and observable data that indicate a measurable decrease in the future estimated cash flows as changes in contexts or in the economic conditions that are connected with financial crises.

5.10.7 Financial assets available for sale

The Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets available for sale on every balance sheet date.

In the case of instruments representative of capital classified as available for sale, the objective evidence would include a significant or extended reduction of the fair value of the instrument beneath its cost. The term 'significant' is assessed with regard to the original cost of the instrument, and the term 'extended' with regard to the period in which the fair value is kept beneath the original cost. Where there is evidence of impairment, the accumulative loss—measured by the difference between the cost of purchase and the current fair value, less the losses due to reduced value of that financial asset previously recorded in the statement of profit/(loss) for the year—is reversed from the statement of the other comprehensive profit and loss account components and recorded in the statement of profit/(loss) for the year.

Impairment on instruments representing capital is not restored with effect recognised in the profit and loss account; the increases in their fair value after the reduction in value are recognised directly on the comprehensive profit and loss account.

5.11 Financial liabilities

5.11.1 Initial recognition and measurement

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value recorded in the profit and loss account, amongst the mortgages and loans or amongst the derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, added to which—as in the case of loans and payables—transaction costs directly attributable to them.

The Group's financial liabilities include trade payables and other payables, loans, including current account overdrafts, and derivative financial instruments.

5.11.2 Subsequent measurement

Measurement of the financial assets depends on their classification, as described below:

5.11.2.1 Financial liabilities at fair value recorded in the profit and loss account

Financial assets at fair value with changes recorded in the profit and loss account comprise liabilities held for trading and financial liabilities initially recognised at fair value with changes recorded in the profit and loss account.

Liabilities held for trading are all those incurred for the purpose of reselling them in the short term. This category also includes the derivative financial instruments underwritten by the Group that are not designated as hedging instruments as defined by IAS 39. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on the liabilities held for trading are recognised in the statement of profit/(loss) for the year.

Financial liabilities are designated at fair value with changes recorded in the profit and loss account from the date of initial recognition only if the criteria of IAS 39 are met. At the time of initial recognition, the Group has not designated financial liabilities at fair value with changes recorded in the profit and loss account.

5.11.2.2 Loans and receivables

Following the initial recognition, loans are measured with the amortised cost criteria using the actual interest rate. Profits and losses are booked in the profit and loss account when the liability is settled, in addition to through the amortisation process.

The amortised cost is calculated by recognising the discount or premiums on the purchase and the fees or costs that are an integral part of the actual interest rate. Amortisation at the actual interest rate is included amongst the financial charges in the profit/(loss) statement.

This category generally includes receivables and interest-bearing loans. Please refer to Note 21 for more information.

5.11.3 Cancellation

A financial liability is cancelled when the obligation underlying the liability is met, cancelled or honoured. Where an existing financial liability is replaced by another of the same lender, at basically different conditions, or the conditions of an existing liability are basically altered, this exchange or change is treated as an accounting cancellation of the original liability, accompanied by recognition of a new liability with recognition in the statement of profit/(loss) for the year of any differences between the book values.

5.11.4 Offsetting financial instruments

A financial asset and liability can be offset and the net balance can be shown on the statement of financial position if there is a current legal right to offset the amounts recognised and there is the intention to settle the net remainder, or realise the asset and at the same time settle the liability.

5.12 Derivative financial instruments

5.12.1 Initial recognition and subsequent measurement

The Group uses derivative financial instruments, including swaps on interest rates to cover the interest rate risk. These derivative financial instruments are initially recognised at fair value on the date when the derivative contract is signed, and afterwards they are measured again at fair value. The derivatives are booked as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses coming from the changes in fair value of the derivatives are recorded directly on the profit and loss account.

5.13 Inventories

Inventories are measured at cost or the estimated net realisable value, whichever is less.

The costs borne to take each asset to the place and in the current conditions are recognised as follows:

The cost of the inventories is based on the weighted average cost method. The cost of production is determined by including all costs directly chargeable to the products, the production overhead costs, defined based on the normal production capacity, leaving out the financial charges. For the portion of inventories deemed no longer economically usable, or with an estimated realisable value lower than the cost recorded in the financial statements, a special provision for depreciation is allocated.

5.14 Impairment of non-financial assets

The Group assesses possible existence of indicators of impairment of the assets on every balance sheet date. In this case, or in the cases in which an annual check of the impairment is required,

the Group estimates the recoverable value. The recoverable value is either the fair value of the asset or cash generating unit, net of the selling costs, and its value of use, whichever is highest. The recoverable value is determined for every single asset, except when this asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has sustained impairment and is, as a result, written down until it is taken back to the recoverable value.

In determining the value of use, the Group discounts the estimated future cash flows to the current value using a pre-tax discount rate that reflects the market valuations of the current value of the money and the specific risks of the asset. In determining the fair value net of the selling costs, recent transactions carried out on the market are taken into consideration. If it is impossible to identify these transactions, an adequate valuation model is used. These calculations are corroborated by appropriate valuation multipliers, prices of listed equity shares for investees whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations prepared separately for each cash generating unit of the Group on which individual assets are allocated. These budgets and forecast calculations usually cover a five-year period. In the case of longer periods, a long-term growth rate is calculated, which is used to project the future cash flows beyond the fifth year.

The impairment of continuing operations, including impairment of inventories, is recorded in the statement of profit/(loss) for the year in the cost categories consistent with the intended use of the asset that showed the impairment. Previously revalued fixed assets, where the revaluation was booked amongst the other comprehensive profit and loss account components, are an exception to the rule. In these cases, the impairment is in turn recognised amongst the other comprehensive profit and loss account components to the extent of the previous revaluation.

For the assets other than goodwill, the Group assesses any existence of indications of previously recognised impairment ceasing (or reducing) on the balance sheet date and if these indications exist, it estimates the recoverable value of the asset or CGU. The value of a previously written down asset can be reinstated only if there have been changes in the assumptions on which the calculation of the determined recoverable value are based after the last impairment has been recognised. The write-back cannot exceed the book value that would have been determined, net of amortisation or depreciation, in the case in which no impairment had been recognised in previous years. This write-back is recognised in the statement of profit/(loss) for the year unless the fixed asset has been booked at revalued value, and in that case the write-back is treated as an increase due to revaluation.

The following criteria are used for booking impairment regarding specific types of assets:

5.14.1 Goodwill

Goodwill undergoes impairment testing at least once a year (on 31 December) and more frequently when circumstances lead to the opinion that the recognition value might be subject to impairment.

The impairment of the goodwill is determined by measuring the recoverable value of the cash generating unit to which goodwill refers. Where the recoverable value of the cash generating unit is lower than the book value of the cash generating unit to which the goodwill has been allocated, an impairment is recognised. The reduction of the goodwill value cannot be restored in future years.

5.14.2 Trademark

The intangible fixed assets with indefinite useful life such as the FLOS trademark undergo impairment testing at least once a year with reference to 31 December on the cash generating unit level and when circumstances indicate that there may be impairment.

5.15 Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash on hand and demand deposits and short-term deposits with due date not beyond three months.

For the purpose of representation on the consolidated cash flow statement, the cash and cash equivalents are represented by the cash and cash equivalents as defined above, less the bank overdrafts.

5.16 Own shares

Repurchased own shares are recognised at cost and deducted from shareholders' equity. The purchase, sale or cancellation of own shares do not give rise to any profit or loss in the profit and loss account. The difference between the purchase value and the consideration, in case of reissue, is recorded in the share premium reserve. If options on shares are exercised during the period, they are satisfied with own shares.

5.17 Provisions for contingencies and other charges

The Group recognises provisions for contingencies and other charges when:

- it has a legal or implicit obligation to third parties arising from a past event;
- it is probable that use of Group resources will become necessary in order to fulfil the obligation;
- a reliable estimate of the amount of the obligation can be made.

The provisions are recorded at current value if the financial element (time value) is significantly appreciable by using a discount rate that reflects the specific risks of the liabilities. When discounting back, the increase in the provision due to the lapse of time is recorded as a financial charge. The changes in estimate are reflected in the profit and loss account of the period in which the change took place.

5.18 Pension funds and other benefits following employment

The Group companies recognise a number of forms of defined benefit pension plans that are in line with the conditions and practices commonly applied in the countries where they carry on their activities.

The defined benefit pension plans, including the employee severance indemnities due to employees pursuant to Art. 2120 of the Italian Civil Code, are based on the working life of the employees and on the remuneration the employee receives during a predetermined period of service. More specifically, the liability representing the amount the Group companies owe to their employees is recognised in the financial statements based on its actuarial value since it is qualifiable as an employee benefit due based on a defined benefit plan. Recognition of the defined benefit plans in the financial statements requires the estimate, using actuarial techniques, of the amount of the benefits accrued by the employees in exchange for the work activity provided during the current year and in previous years and the discounting of these benefits in order to determine the current value of the commitments of the Group companies. The current value of these commitments is determined with the "projected unit credit method". This method, which falls within the more general scope of techniques regarding the "accrued benefits", considers every period of service provided by the workers at the company as a unit of additional right. The actuarial liability must therefore be quantified on the basis of only the seniority accrued on the date of valuation. Therefore, the total liability is usually reproportioned based on the ratio between the years of service accrued on the date of reference of the valuations and the seniority reached as a whole at the time estimated for liquidation of the benefit. Moreover, the aforesaid method requires considering the future remuneration increases due for any reason (inflation, career, contractual renewals, etc.) up until the time employment ends.

The cost accrued during the year regarding the defined benefit plans and recorded in the profit and loss account as personnel costs is the sum of the current average value of the rights accrued by the workers present for the activity provided during the year and the annual interest accrued on the current value of the commitments of the Group companies at the beginning of the year, calculated using the discounting rate of the future disbursements adopted to estimate the liability at the end of the previous year. The actuarial gains and losses state the effects of the differences between the prior actuarial assumptions and what actually occurred and the effects of the changes in the actuarial assumptions. These actuarial gains and losses are recognised in the statement of comprehensive profit.

Following the Complementary Pension Scheme Reform, as amended by Italian Finance Act 2007 and subsequent decrees and regulations issued in the early months of 2007, starting from 1 January 2007 the accruing employee severance indemnities will be allocated to the pension funds, the treasury fund set up at INPS or, in the case of companies having fewer than 50 employees, it may remain in the company, similar to what was done in the previous periods. The employees had the right to choose the destination of their severance indemnities until 30 June 2007.

To this regard, the effects arising from the new provisions were taken into consideration, and as per IAS 19 only the liability regarding the accruing employee severance indemnity that remained in the company was valued since the accruing amount, since 2007, is directed to alternative pension forms or is deposited in a treasury account set up at INPS, depending on the choice that every single employee made.

In connection with this, allocating the accruing amounts of employee severance indemnity to the pension funds or to INPS requires that a portion of the accruing employee severance indemnity be classified as a defined contributions plan since the company's obligation is represented only by payment of the contributions to the pension fund or to INPS. The liability regarding the previous employee severance indemnities continues to represent a defined benefit plan to be measured according to actuarial assumptions.

5.19 Principles issued but not yet in effect

The principles and interpretations that as at the date the financial statements were drafted had already been issued but were not yet in effect are explained below. The Company plans to adopt these principles when they come into effect.

5.19.1 IFRS 9 Financial instruments

In July 2014 the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and measurement and all the previous versions of IFRS 9. IFRS 9 brings together all three aspects regarding the project on booking financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the years starting on 1 January 2018 or afterwards; early application is permitted. With the exception of hedge accounting, retrospective application of the principle is required, but it is not necessary to provide the comparative disclosure. As for hedge accounting, the principle generally applies prospectively, with a few limited exceptions.

The Group will adopt the new principle starting from the date it comes into effect and no significant impacts are expected.

5.19.2 Classification and measurement

The Group does not foresee significant impacts on its financial statements and shareholders' equity resulting from application of the classification and measurement requirements provided by IFRS 9. Measuring all financial assets currently booked at fair value is expected to be continued. The listed shares currently classified as available for sale with gains and losses recognised in the statement of the other comprehensive profit and loss account components will

instead be measured at fair value with contra entry in the profit and loss account, which will increase volatility of the results. The reserve for the financial assets available for sale currently booked as other comprehensive profit and loss account components will be reclassified to offset the gains carried forward. In agreement with IFRS 9, the bonds will be measured at fair value with contra entry amongst the other comprehensive profit and loss account components since the Group expects not only to keep the assets in order for collection upon the contractual due dates, but also to sell a significant amount of these assets on a relatively frequent basis.

The Group plans to keep the equity investments in unlisted companies in the portfolio in the foreseeable future. The Group plans to apply the option of presenting the changes in fair value as other profit and loss account components, and so it believes that application of IFRS 9 will have no significant impacts. If the Group were not to apply this option, the shares would be measured at fair value with recognition of the changes directly in the profit and loss account, which would increase the volatility of the results. Like for the trade receivables, the loans are held for collection at the contractual due dates and it is expected that they will generate cash flows represented only by the collections of the principal and interest. The Group therefore expects that they will continue to be measured at amortised cost, pursuant to IFRS 9. The Group will however analyse the characteristics of the contractual cash flows of these instruments in greater detail before deciding whether they all meet the criteria for measurement at amortised cost pursuant to IFRS 9.

5.19.2.1 Impairment

IFRS 9 requires that the Group record the loan losses expected on all its bonds, loans and trade receivables on an annual basis or based on the residual duration. The Group plans to apply the simplified approach and to record the losses expected on all trade receivables based on the residual duration. The Group expects significant impacts on its shareholders' equity due to the fact that its receivables and loans are not guaranteed, but will have to make a more detailed analysis that considers all the reasonable and supported information, including the forecast elements, in order to determine the extent of the impact.

5.19.3 IFRS 14 Regulatory Deferral Accounts

IFRS is an optional principle that allows an entity whose assets are subject to regulated rates to continue to apply the previous accounting principles adopted for the amounts regarding rate regulation at the time the IFRSs are first adopted. The entities that adopt IFRS 14 must present the balances regarding rate regulation on separate lines of the statement of financial position and present the changes of these accounts on separate lines of the statement of profit/(loss) for the year and of the other comprehensive profit and loss account components. The principle requires that disclosure on the nature, associated risks, rate regulation and its effects on the entity's financial statements be given. IFRS 14 is effective for the years starting on 1 January 2016 or afterwards.

This principle does not apply to the Group since it already uses the IFRSs.

5.19.4 IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and it introduces a new five-phase model that will be applied to the revenues coming from contracts with customers. IFRS 15 requires recognition of the revenues for an amount that reflects the consideration at which the entity believes it is entitled in exchange for transfer of goods or services to the customer.

The new principle will replace all the current requirements in the IFRSs on the subject of recognition of revenues. The principle is effective for the years starting on 1 January 2018 or afterwards, with full retrospective or amended application. Early application is permitted.

The Group expects to apply the new standard starting from the mandatory date of effectiveness, using the full retrospective application method.

5.19.4.1 Sale of goods

It is not expected that the contracts with the customers in which the sale is the only obligation will have an impact on the Group. The Group expects that the revenues will be recognised when control of the asset has been transferred to the customer, generally at the time the asset is delivered.

The Group considered the following points in applying IFRS 15:

5.19.4.2 Variable consideration

IFRS 15 requires that the variable consideration be limited in order to prevent over-recognition of the revenues. The Group continues to measure the single contracts in order to determine the estimated variable consideration and its limit. The Group does not expect application of the limit to involve deferment of the recognition of a greater volume of revenues than what occurred with application of the current IFRSs.

5.19.4.3 Obligations for warranties

The Group envisages warranties for general repairs in contracts with customers and does not provide extended warranties or maintenance services. As a result, the Group deems that these warranties are the insurance type and that they continue to be accounted in compliance with IAS 37 Provisions, contingent liabilities and contingent assets, in line with what is currently being done.

5.19.4.4 Plants received from customers

When an entity receives, or expects to receive, a non-monetary consideration, IFRS 15 requires that the fair value of the non-monetary consideration be included in the transaction price. An entity must measure the fair value of the non-monetary consideration in compliance with IFRS 13 Fair value measurement.

No impact on the Group is expected following application of these amendments.

5.19.4.5 Amendments to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator that books the acquisition of a share of equity investment in a joint arrangement, joint arrangement whose assets represent a business, must apply the significant principles of IFRS 3 on the subject of accounting business combinations. The also amendments clarify that if the joint arrangement is kept, the interest previously held in a joint arrangement is not measured again at the time another share of equity investment is acquired in the same joint arrangement. Moreover, an exclusion from the scope of IFRS 11 was added to clarify that the amendments are not applied when the parties that share control, including the entity that drafts the financial statements, are under joint control of the same latter parent.

The amendments are applied both upon acquisition of the initial share of equity investment in a joint arrangement and upon acquisition of any other additional share in the same joint arrangement. The amendments must be prospectively applied for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments.

5.19.5 Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle contained in IAS 16 and IAS 38, that the revenues reflect a model of economic benefits that are generated by the management of a business (to which the asset belongs) or the economic benefits that are consumed with use of the asset. What ensues is that a method based on revenues cannot be used for the depreciation of property, plant and

machinery and might be used only in very limited circumstances to amortise intangible assets. The amendments must be prospectively applied for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments since the Group does not use revenue-based methods for amortising or depreciating its non-current assets.

5.19.6 Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will let the companies use the equity method to account their equity investments in subsidiaries, joint ventures and associates in their separate financial statements. The entities that are already applying the IFRSs and decide to amend the accounting criterion by switching over to the equity method in their separate financial statements have to apply the change retrospectively. In the case of first adoption of the IFRSs, the entity that decides to use the equity method in its separate financial statements will have to apply it starting from the date of transition to the IFRSs. The amendments are effective for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group consolidated financial statements is expected following application of these amendments.

5.19.7 Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary sold or contributed to an associate or joint venture. The amendments clarify that the profit or loss resulting from the sale or contribution of assets forming a business, as defined by IFRS 3, between an investor and its associate or joint venture has to be entirely recognised. Any profit or loss resulting from the sale or contribution of assets not making up a business is on the other hand recognised only within the limits of the share held in the associate or joint venture by third-party investors. These amendments must be prospectively applied and are in effect for the years starting on 1 January 2016 or afterwards; early application is permitted. It is not expected that these amendments may have any impact on the Group.

5.19.8 Annual cycle of improvements 2012-2014

These improvements are in effect for the years starting on 1 January 2016 or afterwards. They include:

5.19.9 IFRS 5 Non-current assets held for sale and discontinued operations

The assets (or disposal groups) are generally disposed of through the sale or distribution to shareholders. The amendment clarifies that the change from one to the other of these disposal methods should not be considered a new disposal plan, but rather the continuation of the original plan. Therefore, there is no interruption in application of the IFRS 5 requirements. This amendment must be applied prospectively.

5.19.10 IFRS 7 Financial instruments: Disclosures

5.19.10.1 Servicing contracts

The amendment clarifies that a servicing contract that includes compensation can entail ongoing involvement in a financial asset. An entity must define the nature of the consideration and agreement on the basis of the guidance contained in IFRS 7 on the topic of ongoing involvement in order to assess whether disclosure is required. Which servicing contract entails ongoing involvement must be determined retrospectively. In any case, the required disclosure does not have to be submitted for the years before that of first application of this amendment.

5.19.10.2 Applicability of the amendments to IFRS 7 to the condensed interim financial reporting

The amendment clarifies that the disclosure requirements on offsetting do not apply to the condensed interim financial reporting unless this disclosure provides a significant update of the

information presented in the most recent annual financial statements. This amendment must be applied retrospectively.

5.19.10.3 IAS 19 Employee benefits

The amendment clarifies that the active market (market depth) of high quality company bonds must be defined according to the currency in which the bond is denominated instead of the country where the bond is located. When there is no market depth for high quality company bonds in that currency, the government security rates must be used. This amendment must be applied prospectively.

5.19.11 IAS 34 Interim financial reporting

The amendment clarifies that the disclosure required in the interim financial reporting must be presented either in the interim financial statements or incorporated in the cross-references between the interim financial statements and the part of the interim financial report in which it is included (e.g., the management report or the report commenting on the risks).

The disclosure presented in the interim financial report must be available for the reader in the same terms and in the same time frame as the interim financial statements. This amendment must be applied retrospectively.

No impact on the Group is expected following application of these amendments.

5.19.12 Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of financial statements clarify, rather than significantly change, some of the already existing requirements of IAS 1. The amendments clarify:

- The requirement of materiality of IAS 1
- The fact that specific lines in the statements of profit/(loss) for the year or of the other components of the comprehensive profit and loss account or in the statement of financial position may be disaggregated
- That the entities are flexible with regard to the order in which they present the explanatory notes
- That the quota of the other comprehensive profit and loss account components regarding associates and joint ventures accounted using the equity method must be presented aggregated in a single line, and classified amongst those items that will not later be reclassified in the profit and loss account.

Furthermore, the amendments clarify the requirements applied when sub-totals are presented in the statements of profit/(loss) for the year or of the other components of the comprehensive profit and loss account or in the statement of financial position. These amendments are in effect for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments.

5.19.13 Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments concern the problems that arose in applying the exception regarding the investment entities provided for by IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting the consolidated financial statements is applied to the parent company that is the subsidiary of an investment entity when the investment entity measures all of its subsidiaries at fair value.

Moreover, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that itself is not an investment entity and that supplies support services to the investment entity is

consolidated. All the other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to keep the measurement at fair value applied by the associates or joint ventures of an investment company in measuring its equity investments in subsidiaries. These amendments must be retrospectively applied and are in effect for the years starting on 1 January 2016 or afterwards; early application is permitted. No impact on the Group is expected following application of these amendments.

5.20 Discretionary assessments and significant accounting estimates

Preparing the Group financial statements requires the directors to make discretionary assessments, estimates and assumptions that affect the values of revenues, costs, assets and liabilities and the disclosures regarding them, as well as information on potential liabilities. The uncertainty of these assumptions and estimates might give rise to results that will require a significant adjustment to the book value of these assets and/or liabilities in the future.

5.20.1 Discretionary assessments

In applying the Group's accounting principles, the directors have taken decisions based on the following discretionary assessments (not including those that involve estimates) with a significant effect on the values entered in the financial statements.

5.20.2 Estimates and assumptions

The assumptions regarding the future and the other main causes of uncertainty in the estimates that as at 31 December pose the significant risk of giving rise to significant adjustments of the book values of the assets and liabilities by the end of the following year. The Group has based its estimates and assumptions on yardsticks available at the time the consolidated financial statements were prepared. Nevertheless, the current circumstances and assumptions on the future developments could be altered due to changes in the market or occurrences that the Group cannot control. These changes, should they occur, are reflected in the assumptions.

5.20.2.1 Impairment of non-financial assets

An impairment occurs when the book value of an asset or a cash generating unit exceeds its recoverable value, which is its fair value, net of the selling costs, and its value of use, whichever is highest. The fair value minus the selling costs if the amount obtainable from the sale of an asset or of a cash generating unit in a free transaction between aware and willing parties, less the disposal costs. Calculation of the value of use is based on a cash flow discounting model. The cash flows are taken from the budget of the five subsequent years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will increase the results of the assets making up the cash generating unit being measured. The recoverable value noticeably depends on the discount rate used in the cash flow discounting model, just like it does on the cash flows expected in the future and the growth rate used for extrapolation.

5.20.2.2 Tax

There are uncertainties regarding interpretation of complex tax regulations and the amount and time frame of the future taxable income. Due to the wide range of international trade relations, the long-time nature and the complexity of the current contractual agreements, the differences arising between the actual results and the assumptions made, or the future changes in these assumptions, could demand future adjustments to the income tax and costs already recorded. The Group makes provisions, based on reasonable estimates, for the possible consequences of the controls the tax authorities of the respective countries in which it operates carry out. The amount of these provisions is based on different factors, such as the experience of previous tax audits or the different interpretations of the tax regulations by the taxed company and by the local tax authority. These differences in interpretation may emerge on a vast gamut of problems, depending on the prevailing conditions in the respective domicile of the Group companies.

Deferred tax assets are recorded for all unused tax losses to the extent in which it is probable that there will be a taxed profit such as to permit use of the losses in the future. Management is required to make a significant estimate in order to determine the amount of the tax assets that can be recognised on the basis of the level of future taxable profits, on the timeline of their manifestation and on the tax planning strategies.

5.20.2.3 Defined benefit plans (employee severance indemnities)

The cost of the defined benefit pension plans and other medical benefits subsequent to employment and the current value of the obligation for defined benefits are determined using actuarial valuations. The actuarial valuation requires that several assumptions that may differ from actual future developments be worked out. These assumptions include determination of the discount rate, the future wage gains, the mortality rates and the future increase in pensions. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. All the assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the corporate bond interest rate as reference, in currencies consistent with the currencies of the bonds for defined benefits that have at least a AA rating, assigned by internationally recognised rating agencies, and with average due dates corresponding to the expected duration of the defined benefits bond. The bonds undergo another qualitative analysis and those having a credit spread deemed excessive are eliminated from the population of bonds on which the discount rate is calculated since they do not represent a high quality category of bonds.

The mortality rate is based on the tables available on the specific mortality for each country. The future wage gains and pension gains are based on the inflation rates expected for each country.

5.20.2.4 Development costs

Development costs are capitalised according to the accounting principles. Initial capitalisation of the costs is based on the fact that management's opinion on the technical and economic feasibility of the project is confirmed. This usually takes place when the project has reached a precise stage of the development plan. To determine the values to capitalise, the directors work out the forecasts of the future cash flows expected from the project, the discount rates to apply and the periods of manifestation of the expected benefits. The book value of the capitalised development costs as at 31 December 2015 was € 1,722 thousand (€ 1,637 thousand as at 31 December 2014 and € 1,602 thousand as at 1 January 2014).

5.21 Objectives and criteria for managing financial risk

The major financial liabilities of the Group comprise trade payables, loans and other payables. The main objective of these liabilities is to fund the Group's operational activities. The Group has trade and non-trade receivables, other receivables, cash and cash equivalents and short-term deposits that originate directly from the operational activities.

The Group is exposed to market risk, credit risk and liquidity risk. Group Management is appointed to manage these risks.

The Board of Directors reviews and approves the management policies of each of the risks described below.

5.21.1 Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will change due to the changes in the market price. The market price includes three types of risk: rate risk, currency risk and other prices risks such as, for example, the price risk on the securities representing capital (equity risk) and the commodity price risk.

The Group is not considerably exposed to market risk since the securities held for sale are not of a significant amount.

5.21.2 Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will change due to the changes in the market interest rates. The Group's exposure to the risk of changes in market interest rates is first of all related to the long-term debt with variable interest rate.

The Group manages its rate risk through 2 interest rate swap (IRS) contracts where the Group agrees to exchange the difference in amount between the fixed rate and the variable rate each quarter. This difference is calculated referring to an agreed notional principal amount. The detail follows.

	Notional (eur/m)	Sell	Buy
IRS 30 June 2015 (start date)	120,000	Euribor 3M	0.57%
IRS 31 December 2015 (start date)	30,000	Euribor 3M	0.411%

5.21.3 Sensitivity to the interest rate

The sensitivity analysis shows how an unfavourable change in interest rates of +0.5% on the portion of variable rate loans not covered by IRS would lead to a worsening of the pre-tax profit of € 222 thousand.

5.21.4 Exchange rate risks

Exchange rate risk is the risk that the fair value or the future cash flows of an exposure will change due to the changes in the exchange rates. The Group's exposure to the risk of exchange rate changes mainly refers to the operational activities of the Group (when the revenues or costs are denominated in a foreign currency) and to the net investments of the Group in foreign subsidiaries.

Although the Group has a strong international connotation, the use of Euro as trans-national currency for most of its transactions, reduces almost entirely any risks connected to variations in exchange rates. The Group is mainly exposed for positions stated in U.S. dollars, Norwegian krones, Danish krones and Japanese yen, for volumes which however are not such as considerably impacting its equity and financial position, and results of operations. Consequently, no sensitivity analysis has been made on the changes in exchange rates.

5.21.5 Commodity price risk

The Group is not exposed to the volatility of the price of any commodity.

5.21.6 Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations tied to a financial instrument or to a commercial contract, therefore leading to a financial loss. The Group is exposed to the credit risk arising from its operational activities (above all for trade receivables and credit notes) and includes deposits with banks and financial institutions.

5.21.7 Trade receivables

The individual subsidiaries manage the credit list related to the commercial counterparties and it is monitored centrally by the Group Administration Department. The Group has no significant concentrations of credit risk. However, there are procedures aimed at ensuring that the sales of products and services are made to very reliable customers, and their financial position, past experience and other factors are taken into account. The credit limits on the major customers are based on internal and external assessments on the basis of thresholds approved by the managements of the single countries. Use of the credit limits is periodically monitored locally.

The current customer list consists of the key players of the market with credit ratings of maximum reliability. Therefore, no measures to cover this risk other than the normal procedures and controls used for managing credit risk have been provided.

Please note that there are no receivables that have expired for over 12 months.

5.21.8 Financial instruments and bank deposits

As for the credit risk regarding the management of financial and cash resources, the risk is monitored by the Group Administration Department, which implements procedures aimed at ensuring that the Group Companies have relations with independent counterparties of a high and reliable profile.

5.21.9 Liquidity risk

The Group monitors the risk of a shortage of liquidity using a liquidity planning tool.

The Group is not significantly exposed to this type of risk since the financial and capital structure of the Group is sound.

5.21.10 Excessive concentration risk

Concentration arises when a number of counterparties are engaged in a similar business or carry on their activities in the same geographic area, or have economic characteristics such as to see their ability to honour contractual commitments affected by economic or political changes, or by other conditions. Concentration indicates the relative sensitivity of the Group's result to changes that might influence a particular sector.

In order to prevent an excessive concentration of risk, the Group's rules and procedures include specific guidelines for keeping a diversified portfolio. Once any situations of credit risk concentration are identified, they are controlled and managed as a consequence. Specific hedging is used within the group to manage the risk of concentration, on both the relations and sector levels.

5.22 Commitments and risks

5.22.1 Guarantees and commitments

In connection with the Senior Facility Agreement stipulated with Unicredit AG Milan Branch, Flos SpA has provided the following guarantees in place as at 31 December 2015:

- a deed of mortgage on the property located in Bovezzo (BS)
- a deed of lien on several assets of the Company pursuant to Art. 46 of the Italian Consolidated Banking Law
- a Spanish pledge document regarding the shares of Antares Iluminacion S.A.U.
- a pledge document regarding the main current accounts of the Company (and on their balances , including any accrued and accruing interest)
- a pledge document regarding several titles to industrial property of the Company.

The Group had also provided the following guarantees as at 31 December 2015:

- Guarantee by the Parent Company against the lease of the Milan showroom for € 64 thousand, in addition to a guarantee for supplies amounting to € 85 thousand.

There are no other significant clauses or conditions associated with the use of the guarantees.

5.22.2 Financial leasing and redemption commitments

The Group has signed a financial leasing contract with ING Leasing of Madrid (ES) following the purchase of the industrial property and relevant takeover of the underlying lease contract and lease contracts regarding cars.

The following table breaks down the amount of the future fees deriving from the financial leasing contracts and the rental contracts and the current value of the fees.

5.23 Litigation matters

The Group had litigation matters pending as at 31 December 2015 for which the Parent Company allocated a € 50 thousand fund to cover any future disbursements.

5.24 Potential liabilities

The Group has no current potential liabilities except for what described in the foregoing paragraph.

6 Business combinations and acquisitions of minority interests

6.1 Acquisition of Antares Iluminacion S.A.U.

On 26 November 2014 the Group acquired an additional minority interest of 10.5% of voting rights of Antares Iluminacion S.A.U., thus taking its share in the Spanish company to 100%. An amount of € 26,000 thousand, in 2 tranches, was paid to the minority shareholders for the acquisition. The first tranche, amounting to € 7,015 thousand, was paid on 26 November 2014, while the second tranche of € 18,985 thousand was paid on 15 January 2015.

The book value of the net assets of Antares Iluminacion S.A.U. as at 31 December 2014 is broken down as follows:

Amounts in thousands of euro	Fair value recognised at time of acquisition
Other intangible fixed assets	86
Property, plant and machinery	1,815
Deferred tax assets	48
Other non-current assets	79
Inventories	718
Trade receivables	3,891
Tax assets and other assets	346
Cash and cash equivalents and short-term deposits	481
Total assets	**7,464**
Provisions for contingencies and other charges (NC)	(68)
Deferred taxes	(10)
Non-current financial liabilities	(688)
Trade payables	(871)
Current financial liabilities	(61)
Tax payables and other liabilities	(343)
Total liabilities	**(2,041)**
Total identifiable net assets at fair value	**5,423**
Consideration of the acquisition	**26,000**

The difference between the consideration paid and the net value of the acquired assets was accounted as reduction of the consolidated Group equity.

6.2 Acquisition of the Ares Group

On 26 June 2015, Flos S.p.A. acquired the 100% of Ares S.r.l. and its subsidiary Ares Italia S.r.l., two unlisted companies with registered offices in Italy that are specialised in the design, production and marketing of outdoor lamps. This acquisition meet the Group's need to expand the range of products offered on the market while consolidating its position in the Outdoor segment as well.

The fair value of the assets and liabilities of the Ares Group as at the date of acquisition is represented in the following table:

Amounts in thousands of euro	Fair value recognised at time of acquisition
Other intangible fixed assets	81
Property, plant and machinery	10,430
Deferred tax assets	19
Other non-current assets	8
Inventories	4,257
Trade receivables	7,551
Tax assets and other assets	1,471
Cash and cash equivalents and short-term deposits	7,182
Total assets	**30,998**
Defined benefit plans (NC)	(1,026)
Provisions for contingencies and other charges (NC)	(134)
Deferred taxes	(26)
Other non-current liabilities	(108)
Trade payables	(4,106)
Tax payables and other assets	(1,865)
Total liabilities	**(7,265)**
Total identifiable net assets at fair value	**23,733**
Goodwill coming from the acquisition	32,197
Consideration of the acquisition	**55,930**
Cash and cash equivalents acquired	7,182
Consideration of the acquisition net of acquired cash	**48,748**

6.3 Acquisition of Lukas Lighting

On 30 November 2015 the Flos Group acquired the 100% of Lukas Lighting, a company operating in the Custom segment. The acquisition was completed through the subsidiaries Flos Inc., a company regulated by US law with registered offices in New York.

The fair value of the assets and liabilities of Lukas Lighting as at the date of acquisition is represented in the following table:

Amounts in thousands of euro	Fair value recognised at time of acquisition
Property, plant and machinery	127
Deferred tax assets	11
Other non-current assets	21
Inventories	192
Trade receivables	730
Tax assets and other assets	151
Cash and cash equivalents and short-term deposits	1,389
Total assets	**2,621**
Trade payables	(128)
Tax payables and other liabilities	(2,004)
Total liabilities	**(2,132)**
Total identifiable net assets at fair value	**489**
Goodwill coming from the acquisition	6,424
Consideration of the acquisition	**6,913**
Cash and cash equivalents acquired	1,389
Consideration of the acquisition net of acquired cash	**5,524**

Comments on the items of the Statement of Financial Position

7 Goodwill

The total value of goodwill amounted to € 353,766 thousand broken down as follows:

Intangible fixed assets with indefinite useful life	31/12/2015	31/12/2014	01/01/2014
Goodwill post-merge Flos SpA	315,146	—	—
Antares consolidation difference	—	610	610
Goodwill acquisition Ares	32,196	—	—
Goodwill acquisition Lukas Lighting	6,424	—	—
Total Assets with indefinite useful life	**353,766**	**610**	**610**

7.1 Impairment testing of goodwill and intangible fixed assets with indefinite useful life

According to IAS 36, goodwill is not subject to amortisation and undergoes impairment testing at least once a year. Goodwill is allocated to the CGUs for impairment testing.

The impairment test is performed by comparing the total book value of the goodwill and the sum total of the net assets autonomously able to produce cash (CGUs), to which can reasonably be allocated with the value in use of the CGU or that recoverable of it through disposal, whichever is the greatest. More specifically, the value in use was determined by applying the discounted cash flows method, discounting the operational flows resulting from economic-financial projects based on assumptions contained in the plan officially approved by management. The discounting factor used is the WACC recorded with reference to the sector in which the CGU considered operates. The valuation model determines the value in use as the sum of the operational cash flows (defined as EBITDA net of notional taxes on the operating result and changed in the net working capital, changes in the employee severance indemnity, disinvestments/investments in capital assets) for each year of the plan. The terminal value is determined applying a perpetual growth factor essentially representative of the expected inflation rate in Italy (market in which the identified CGUs operate) to the operational cash flow relating to the last year of plan appropriately normalised.

Management's current reading of the business within the Flos Group is based on both the breakdown by collection ("Architectural", "Decorative", "Outdoor", etc.) and that by channel/customer (retail vs contract), one crossing through the other. Moreover, an important part of the sales is made through the foreign branches operating on all channels and on all collections. This matrix structure brings about a substantial interdependency of cash flows generated by collection/channel/legal entity, in the end all depending on the Flos trademark. These are the reasons why the impairment test was carried out considering the Group as a unique CGU and the net invested capital as a whole was tested, except for the net invested capital of Lukas Lighting due to the recent acquisition.

The "discounted cash-flow analysis" was prepared on the basis of the 2016 budget data of Flos Group, old perimeter, and Ares, approved by the board of directors on 10 February 2016 and on the basis of the 2017-2020 plan presented as part of the reverse merger described in Note 2. Additional contingencies were considered in adjustment to these values to reflect a more conservative approach in the flows regarding Tax (reflected at their theoretical cost), the change in Net Working Capital and Investments.

The "value in use" was calculated based on a WACC, net of tax, equivalent to 7.30% and a g rate of 2%. These rates were determined by referring to those used by a number of international analysts in financial reports concerning comparable players operating in the same sector and listed in regulated markets.

The sensitivity analysis on the impairment test, conducted as instructed in IAS 36 in order to point out the effects generated on the "value in use" by a reasonable change of basic assumptions (WACC, growth rates), showed no appreciable effects on the "value in use", even in considering a negative change of 0.5 on the g rate and a positive change of 0.5 on WACC.

8 Other intangible fixed assets

Assets totalled € 148,715 thousand as at 31 December 2015 and included the following:

	Development costs	Patents and intellectual property rights	Concessions, licenses and trademarks and other intangible fixed assets	Trademark	Work In progress and advance payments	Total Other intangible fixed assets
—Historical cost at 31 December 2013	**4,714**	**2,695**	**3,349**	**—**	**—**	**10,759**
—Accumulated depreciation at 31 December 2013	**(3,068)**	**(1,564)**	**72**	**—**	**—**	**(4,560)**
Net book value at 31 December 2013	1,646	1,131	3,421			6,199
—Historical cost at 1 January 2014	**4,714**	**2,695**	**3,349**			**10,759**
Exchange rate difference	—	11	100			110
Increases	1,721	513	278			2,512
Decreases	—	1	(72)			(71)
—Historical cost at 31 December 2014	**6,435**	**3,216**	**3,655**			**13,306**
—Accumulated depreciation at 1 January 2014	**(3,068)**	**(1,564)**	**72**			**(4,560)**
Increase	(1,639)	(647)	(937)			(3,222)
Decrease	—	—	—			—
Transfers—Giros	—	—	—			—
—Accumulated depreciation as at 31 December 2014	**(4,707)**	**(2,210)**	**(865)**			**(7,782)**

	Development costs	Patents and intellectual property rights	Concessions, licenses and trademarks and other intangible fixed assets	Trademark	Work In progress and advance payments	Total Other intangible fixed assets
Net book value as at 31 December 2014	1,728	1,006	2,790	—		5,524
—Historical cost at 1 January 2015	**6,435**	**3,216**	**3,655**	**—**		**13,306**
Exchange rate difference			(55)			(55)
Increases	1,906	619	350	143,500	13	146,387
Decreases	—	—	(41)	—	—	(41)
Increases from acquisitions	79	2				81
—Historical cost at 31 December 2015	**8,420**	**3,837**	**3,910**	**143,500**	**13**	**159,679**
—Accumulated depreciation at 1 January 2015	**(4,707)**	**(2,210)**	**(865)**	**—**	**—**	**(7,782)**
Increase	(1,735)	(587)	(901)	—	—	(3,223)
Decrease	—	—	41	—	—	41
Increases from acquisitions						—
—Accumulated depreciation as at 31 December 2015	**(6,442)**	**(2,797)**	**(1,725)**	**—**	**—**	**(10,964)**
Net book value as at 31 December 2015	1,978	1,040	2,185	143,500	13	148,715

- Development costs include the costs of personnel dedicated to product development carried out within the Group. These costs are amortised over three years.
- Patents and intellectual property rights include patents owned by the Parent Company for € 461 thousand, software for € 103 thousand, image rights for € 35 thousand; as well as software related to other Group companies, for an amount of € 341 thousand.
- Concessions, licenses and trademarks and other intangible fixed assets relate mainly to the Parent Company and refers, for € 1,513 thousand, to the residual value of the production license relating to the line "Architectural Soft", for € 180 thousand to the store brands, as well as licenses for minor € 13 thousand. Also recorded are € 269 thousand for the Bails that the subsidiary Flos France paid for the Paris and Lyon stores.
- The trademark Flos has been recognised in the Flos SpA balance sheet for the first time after the purchase price allocation made on the goodwill of Euro 458,646 thousands arising after the reverse merger of Flos SpA with Arco S.p.A and Padme S.p.A.. The trademark Flos has been identified as the sole intangible asset complying with the requirement of the IAS 38 and its value has been determined in Euro143,500 thousands by an independent expert's appraisal (based on the "relief from royalties" method). It has been considered at indefinite useful life and therefore not amortised. Since the valuation was made close to the balance sheet date, no separate impairment test was done on the trademark, as considered recorded at its fair value. The recognition of the trademark also led to the calculation and recognition of the related deferred taxes, described in detail under note 36.

9 Property, plant and machinery

This item comprises:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and machinery
—Historical cost at 31 December 2013	**44,556**	**9,188**	**29,354**	**10,287**	**195**	**93,580**
—Accumulated depreciation at 31 December 2014	**(3,902)**	**(7,688)**	**(26,320)**	**(6,590)**	**—**	**(44,500)**
—Net book value as at 31 December 2013	**40,654**	**1,500**	**3,034**	**3,697**	**195**	**49,080**
—Historical cost at 01 January 2014	**44,556**	**9,188**	**29,354**	**10,287**	**195**	**93,580**
Exchange rate difference	—	11	(122)	48	—	(63)
Increases	101	128	1,376	812	81	2,498
Decreases	—	(142)	(2,865)	(331)	(90)	(3,428)
—Historical cost at 31 December 2014	**44,657**	**9,185**	**27,742**	**10,817**	**186**	**92,587**
—Accumulated depreciation at 1 January 2014	**(3,902)**	**(7,688)**	**(26,320)**	**(6,590)**	**—**	**(44,500)**
Exchange rate difference	—	(10)	(307)	(293)	—	(609)
Increases	(877)	(455)	(1,085)	(1,016)	—	(3,433)
Decreases	—	130	2,950	281	—	3,362
—Accumulated depreciation as at 31 December 2014	**(4,779)**	**(8,023)**	**(24,761)**	**(7,618)**	**—**	**(45,180)**
Net book value as at 31 December 2014	**39,878**	**1,162**	**2,981**	**3,199**	**186**	**47,407**
—Historical cost at 1 January 2015	**44,556**	**9,188**	**29,354**	**10,287**	**195**	**93,580**
Exchange rate difference	(949)	(46)	(137)	112		(1,021)
Acquisitions	9,125	1,204	67	34	—	10,431
Increases	503	377	1,754	975	147	3,757
Decreases	(225)	(141)	(9)	(427)	(53)	(855)
—Historical cost at 31 December 2015	**53,010**	**10,582**	**31,029**	**10,981**	**289**	**105,891**
—Accumulated depreciation at 1 January 2015	**(4,779)**	**(8,023)**	**(24,761)**	**(7,618)**	**—**	**(45,180)**
Exchange rate difference	—	(3)	23	(87)	—	(67)
Increases	(1,078)	(395)	(1,270)	(988)	—	(3,732)
Decreases	—	141	6	375	—	521
—Accumulated depreciation as at 31 December 2015	**(5,857)**	**(8,280)**	**(26,003)**	**(8,318)**	**—**	**(48,458)**
Net book value as at 31 December 2015	**47,153**	**2,302**	**5,026**	**2,663**	**289**	**57,433**

The increase of land and buildings is due to the extraordinary maintenance work carried out on the buildings of Bovezzo and that to restore the Rome store, both owned by the Parent Company, in addition to what was carried out on the buildings of Valencia owned by Antares Iluminacion S.A.U. and the buildings of the newly acquired Ares Srl for € 9.1 million.

Buildings also includes what was incurred for the fixtures and furnishings of the Group showrooms and stores.

The increases of the plant and machinery are related to capital expenditures made by the Parent Company for the machineries related to the storage of finished products and the capital expenditures in new machineries for production made by the subsidiary Antares Iluminacion S.A.U. and the plants of Ares for € 1.2 million.

The increases in industrial equipment mainly refer to the purchase of new moulds by the Parent Company and the subsidiaries Antares Iluminacion S.A.U. and the newly acquired Ares Srl.

The increases in other assets refer to purchases of furniture and furnishings, office machinery and means of transport for handling and storage services.

10 Non-current financial assets

Non-current financial assets breaks down as shown in the table below:

	31/12/2015	31/12/2014	01/01/2014
Non-current financial assets	611	558	902
Total Financial assets	**611**	**558**	**902**

The item mainly comprises the deposits on rentals paid by the Group companies as at 31 December 2015.

The balance as at 31 December 2013 mainly included the deposits paid on contracts for the rental of our showroom and shops, as well as the amount related to the subsidiary Flos Benelux which, due to a dispute with a former Agent, recorded in the financial assets amounts that have been tied up for a total of € 400 thousand duly deposited with a Law Firm and paid back in 2014 after the dispute was settled.

11 Other non-current assets

Other non-current financial assets breaks down as shown in the table below:

	31/12/2015	31/12/2014	01/01/2014
Receivables from parent company over 12 months	—	238	238
Receivable from tax authority for IRAP refund	238	—	—
Receivable from Municipality of Bovezzo	281	—	—
Receivables from others over 12 months	132	26	97
Other non-current assets	**651**	**264**	**335**

As at 31 December 2015 the item includes the Receivable from tax authority referring to the amount posted following the reverse merger into Flos S.p.A. and previously recorded in the financial statements under the item Receivables from Arco S.p.A. incorporated by Flos S.p.A. in October 2015, claimed as a result of the filing of the Irap application for refund concerning the previous years for a total of € 238 thousand. It also contains a receivable for € 281 thousand that Flos S.p.A. claims from its municipality and receivables from others claimed from Flos S.p.A. for € 102 thousand, Ares Srl for € 8 thousand and from Lukas Lighting for € 22 thousand.

12 Inventories

Inventories are broken down in the following table:

	31/12/2015	31/12/2014	01/01/2014
Raw, ancillary and consumable materials	9,590	6,220	4,263
Stock obsolescence reserve for raw, ancillary and consumable materials	(1,076)	644	(609)
Work in progress and semi-finished products	8,506	6,910	8,545
Stock obsolescence reserve for work in progress and semi-finished products	(976)	(850)	(982)
Finished products and goods for resale	10,965	10,452	10,019
Stock obsolescence reserve for finished products and goods for resale	(2,237)	(1,923)	(1,791)
Advances	50	73	79
Goods in transit	1,075	1,015	806
Total Inventories	**25,899**	**21,253**	**20,328**

The increase in Inventories, € 4,646 thousand as at December 2015 compared to December 2014, amounted to € 3,503 thousand and is due to the contribution of Ares.

Inventories on hand are shown net of the obsolescence reserve of € 4,288 thousand so detailed: € 1,239 thousand regarding Flos SpA, € 1,778 thousand regarding Antares Iluminacion S.A.U., € 668 thousand regarding Ares Srl and € 603 thousand regarding other Group companies.

The stock obsolescence reserve changes are as follows:

	Stock Obsolescence Reserve
—As at 1 January 2014	**3,382**
Utilization during the year	(756)
Allowance for the year	791
—As at 31 December 2014	**3,417**
Utilization during the year	(649)
Allowance for the year	1,521
—As at 31 December 2015	**4,289**

13 Trade receivables

Trade receivables as at 31 December 2015 came to the total, net of the provision for doubtful accounts, of € 32,228 thousand (€ 29,125 thousand as at 31 December 2014 and € 30,663 thousand as at 1 January 2014).

The increase, € 3,103 thousand as at 31 December 2015 compared to the previous year, is due to: € 4,123 thousand for the contribution of Ares, and € 643 thousand from Lukas Lighting, while the same perimeter records a decrease of € 1,663 thousand.

The table below shows the breakdown by geographical area:

	31/12/2015	31/12/2014	01/01/2014
Italy	14,776	7,043	7,251
EEC	13,837	14,660	15,956
Non-EEC	3,615	7,422	7,457
Total Trade Receivables	**32,228**	**29,125**	**30,663**

The provision for doubtful accounts changes is summarised below:

	Provision for doubtful accounts
—As at 1 January 2013	**1,491**
Utilization during the year	(456)
Allowance for the year	551
—As at 31 December 2013	**1,586**
Utilization during the year	(785)
Allowance for the year	313
—As at 31 December 2014	**1,114**
Utilization during the year	(177)
Allowance for the year	531
—As at 31 December 2015	1,468

Please see below the aging of the Flos trade receivables, which does not include the Provision for Doubtful Accounts and the item Receivables in litigation.

	Balance sheet amount	Due	0-30	30-60	60-90	90-120	Over 120
Receivables Italy	15,015	13,337	810	122	242	477	27
Receivables EEC	14,487	10,662	2,518	706	207	394	—
Receivables Non-EEC	3,706	1,613	1,479	385	70	123	37
Total trade receivables from customers	33,208	25,612	4,807	1,213	518	994	64

14 Current tax credit and due from tax authorities

The item includes the current tax credit and due from tax authorities, and the other current receivables.

	31/12/2015	31/12/2014	01/01/2014
Tax receivables	1,804	98	255
VAT credit	2,279	1,300	2,737
Other receivables	56	10	38
Current tax credit and due from tax authorities	4,139	1,408	3,030

Current tax receivables include the following amounts which are receivables from the tax authorities:

- Parent Company: € 884 thousand for VAT, € 662 thousand for taxes and € 12 thousand for other tax receivables
- Subsidiary Antares Iluminacion S.A.U.: € 1,164 thousand for VAT, € 72 thousand for taxes and € 28 thousand for other tax receivables
- Subsidiary Ares Srl: € 25 thousand for VAT, € 516 thousand for taxes and € 13 thousand for other tax receivables
- Subsidiary Flos USA Inc: € 445 thousand for taxes
- Subsidiary Light Contract Srl: € 180 thousand for VAT, € 12 thousand for taxes and € 1 thousand for other tax receivables
- Subsidiary Euroformat Srl: € 12 thousand for VAT, € 4 thousand for taxes and € 1 thousand for other tax receivables
- Subsidiary Flos Roma Srl: € 8 thousand for VAT, € 41 thousand for taxes and € 2 thousand for other tax receivables

- Subsidiary Flos GmbH: € 52 thousand for taxes
- Subsidiary Flos Benelux: € 2 thousand for VAT
- Subsidiary Flos Milan: € 2 thousand for VAT

15 Other assets

The breakdown of this item follows:

	31/12/2015	31/12/2014	01/01/2014
Receivables from others in short term	215	878	1,300
Other current assets	1,035	551	590
Other assets	1,249	1,430	1.890

Receivables from others includes advance payments made to suppliers: € 72 thousand by the Parent Company, € 33 thousand by Ares and € 53 thousand paid by the other Group companies.

Other current assets refers to the amounts already paid for trademark renewal taxes by the Parent Company for € 119 thousand and € 833 thousand for maintenance expenses, utilisation of software and services already paid by the group companies, and € 83 thousand for insurance.

16 Cash and cash equivalents and deposits

Current and tied up cash and cash equivalents as at 31 December 2015 came to a total of € 37,903 thousand, as detailed in the following table

	31/12/2015	31/12/2014	01/01/2014
Current cash and cash equivalents	37,771	20,309	30,446
Restricted cash and cash equivalents	132	23,551	477
Total cash and cash equivalents	**37,903**	**43,860**	**30,923**

	31/12/2015	31/12/2014	01/01/2014
Bank and post office deposits	37,678	20,242	30,341
Cheques	17	24	58
Cash on hand	75	43	47
Total current cash and cash equivalents	**37,771**	**20,309**	**30,446**

Restricted cash and cash equivalents as at 31 December 2014 referred to € 18,985 thousand for the purchase of the residual shares of Antares Iluminacion S.A.U. concluded in January 2015 and € 4,000 thousand for "*bridge to cash Facility*", paid back in November 2015.

For a detailed breakdown of the company's cash and cash equivalents, please refer to consolidated cash flow statement.

17 Assets held for disposal

Assets held for disposal, which came to € 225 thousand, refer to the subsidiary Flos Lighting Design Beijing Co. Ltd in liquidation.

18 Shareholders' Equity

The shareholders' equity of the Group and of minority interest totalled € 387,483 thousand (€ 91,710 thousand as at 31 December 2014).

Please refer to the Statement of Changes in Shareholders' Equity for a breakdown of the changes.

In December 2014 Padme S.p.A. purchased the Flos Group; in 2015 Flos S.p.A. incorporated Padme S.p.A. by way of reverse merger.

The asset and liability balances as at 31 December 2014 of these consolidated financial statements correspond with those of the Flos Group prior to acquisition by Padme S.p.A.

The balances as at 31 December 2015 of the consolidated financial statements instead include the effects of the above-mentioned merger; these effects were kept in the consolidated financial statements because they are representative of the business combination between Padme S.p.A. and Flos S.p.A.

These effects on the consolidated financial statements as at 31 December 2015 gave rise to an increase in equity of € 255,084 thousand due to the recognition of:

- Goodwill for € 315,146 thousand
- a trademark for € 103,464 thousand after deferred taxes
- financial liabilities for € 159,989 thousand
- other non-current liabilities for € 3,535 thousand

18.1 Share Capital

Share capital, fully subscribed and paid up, amounted to € 1,875 as at the balance sheet date. It consists of 13,377 thousand ordinary shares and 354 thousand of shares of Category B without nominal value.

The share capital of € 1,875 thousand is made up as follows:

- as for € 232 thousand through payments and subscriptions of shareholders
- as for € 433 thousand through conversion of revaluation reserves
- as for € 1,209 thousand through conversion of extraordinary reserves already entirely subjected to tax.

With effect of the reverse merger by incorporation of the company Padme S.p.A. and Arco S.p.A. completed on 26 October, the share capital of the incorporating company Flos S.p.A. was not increased, and without any share swap with the following procedures set out in the merger plan:

- the entire share capital of the incorporated companies Arco S.p.A. and Padme S.p.A. was cancelled
- at the same time the shareholders of the incorporated Padme S.p.A. were assigned the entire share capital of the incorporating company Flos S.p.A., so the number of company shares, without nominal value, increased from the previous 375,000 to 13,730,840 shares (fully subscribed and paid up), which were proportionately assigned to the Padme S.p.A. shareholders.

The company's shares are encumbered by a pledge in favour of Unicredit Bank AG, Milan Branch and Unicredit SpA.

18.2 Other reserves

Other reserves as at 31 December 2015 totalled € 375,634 thousand (€ 61,341 thousand as at 31 December 2014 and € 73 thousand at 01 January 2014) and is broken down below:

- Revaluation reserve of € 17,031 thousand
- Legal reserve of € 500 thousand
- Statutory reserve of € 39,731 thousand
- Consolidation reserve of € 19,093 thousand

- Other merger reserves of € 300,190 thousand
- Currency conversion difference of € (911) thousand

18.3 Reserve for actuarial gains and losses

The reserve for actuarial gains and losses refers to the effect of discounting the employee severance indemnities (€ 164 thousand negative as at 31 December 2015), accounted to Shareholders' Equity in the Other Components of the Profit and Loss Account.

18.4 FTA reserve

The First Time Application (FTA) reserve, € 3,251 thousand, includes the adjustments implemented following the transition to the IAS/IFRS accounting standards.

Please also note that as at the date these financial statements are approved there are no dividends already resolved but not yet paid.

19 Defined benefit plans

Defined benefit plans represents the use of the amount set aside during the year for the Parent Company and Italian subsidiaries. Please note that the amount of the TFR indicated in the item is net of the sums allocated to INPS Treasury Complementary Scheme.

	Defined benefit plan
—As at 1 January 2014	**1,739**
allowances	457
utilizations	460
Interest	(53)
Actuarial gains and losses	269
—As at 31 December 2014	**1,952**
allowances	503
utilizations	(690)
Interest	31
Actuarial gains and losses	34
Value coming from acquisition	1,026
—As at 31 December 2015	**2,856**

Valuation of the employee severance indemnities for IAS purposes follows the projected current value of defined benefits obligation method with the estimate of benefits accrued by employees.

Following the amendments introduced by Italian Law 296 of 27 December 2006 ("Finance Act 2007") and the subsequent implementation decrees and regulations, the quotas of employee severance indemnities accrued up until 31 December 2006 will continue to remain in the company as a defined benefits plan (obligation for the benefits accrued subject to actuarial valuation), while the quotas accruing starting from 1 January 2007 will be allocated to forms of complementary pension or transferred from the company to the treasury fund managed by INPS due to the choices made by the employees during the year, emerging as defined contribution plans (no longer subject to actuarial valuation) starting from when the employee formalises his or her choice. Determination of the employee severance indemnities is therefore the result of applying an actuarial model based on several assumptions, both demographic and economic in nature. The technical-economic bases used are shown in the following table:

	31/12/2015	31/12/2014
Annual discounting rate	1.39%	1.49%
Annual inflation rate	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 on	0.60% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.00% from 2019 on
Annual employee severance indemnity increase rate	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% for 2019 3.00% from 2020 on	1.950% for 2015 2.40% for 2016 2.625% for 2017 and 2018 3.00% from 2019 on

Please particularly note that the annual discounting rate used to determine the current value of the obligation was taken, consistent with par. 83 of IAS 19, from the Iboxx Corporate AA index recorded on the valuation date. For this purpose the yield having a duration comparable to the duration of the collective of the Company being valued was chosen.

In line with the provisions of IAS 19, the additional information required for the defined benefit plans is provided below:

	31/12/2015	31/12/2014
Inflation rate +0.25%	1,391,155	2,015,105
Inflation rate -0.25%	1,329,054	1,940,249
Discounting rate +0.25%	1,310,525	1,918,062
Discounting rate -0.25%	1,410,818	2,038,687
Turnover rate +1%	1,347,068	1,963,150
Turnover rate -1%	1,373,994	1,993,160

20 Provisions for contingencies and other charges

Provisions for contingencies and other charges is broken down as seen in the following table.

	Provisions for pensions and similar obligations	Other	Total
—As at 1 January 2014	**402**	**563**	**965**
Increases of the year	250	221	471
Actuarial gains and losses	33	—	33
Utilizations	(32)	(336)	(368)
Reclassification	—	202	202
—As at 31 December 2014	**653**	**650**	**1,304**
Increases of the year	217	770	988
Actuarial gains and losses	(2)	—	(2)
Utilizations	(150)	(351)	(501)
Value coming from acquisition	134	48	182
—As at 31 December 2015	**852**	**1,118**	**1,970**

The Provision for pensions and similar obligations, € 852 thousand, comprises the amount as at 31 December 2015 for agents' termination indemnity accrued in compliance with collective labour agreements applicable to agents presently in force. The amount reflects a prudent acknowledgement of the risk related to termination of agent mandates in the instances envisaged by law.

The Provision for pensions and similar obligations is subject to actuarial calculation.

Other provisions refer to the amount of € 1,118 thousand for the customers' indemnity prudentially allocated by the Parent Company to cover the extended product warranty (€ 200 thousand) and to the production Subsidiaries Antares Iluminacion S.A.U. (€ 730 thousand) and Light Contract (€ 100 thousand).

Provisions for liabilities also includes the amount the Parent Company allocated for possible liabilities due to litigation, € 50 thousand, and the amount allocated by Ares, € 98 thousand.

21 Current and non-current financial liabilities

Financial liabilities are broken down as follows:

	31/12/2015	31/12/2014	01/01/2014
Non-current financial liabilities			
Senior loan Facility—current quota	5,171	—	—
Antares	—	18,985	—
Payables to other financial creditors	616	613	514
Deferred price for Lukas acquisition	496	—	—
Other financial liabilities	—	—	132
Total non-current financial liabilities	**6,283**	**19,598**	**646**
Total current financial liabilities			
Senior loan Facility—non-current quota	179,628	—	—
Payables to other financial creditors	6,047	6,621	7,094
Deferred price for Lukas acquisition (discounted)	1,631	—	—
Other amounts owed to banks	—	—	35
Total non-current financial liabilities	**187,305**	**6,621**	**7,129**
Total financial liabilities	**193,588**	**26,219**	**7,775**

Financial liabilities as at 31 December 2014 include the short-term debt owed to the previous minority shareholders of Antares Iluminacion S.A.U. for the purchase of the minority share of 7.67% paid in early 2015.

Amounts payable to banks include the Senior Facility Agreement signed on 25 November 2014 with Unicredit AG Milan Branch. This contract originally provided for credit lines amounting to the total of € 209 million that were used for € 169 million as at 31 December 2014.

Originally signed by the parent company Padme S.p.A., Flos took over the Senior Facility Agreement as borrower following the reverse merger that took place on 26 October 2015.

In 2015 Flos signed an Additional Facility of € 30 million (June 2015) and paid back the bridge to cash facility of € 4 million and the first line A instalment for the amount of € 1.35 million in full. Therefore, as at 31 December 2015 the credit lines amounted to € 235 million and were used for € 193.65 million. The balance on the financial statements is stated net of the charges on the loan capitalised and amortised over the lifetime of the loan itself.

The interest rates applied to the lines are based on 3-month Euribor, to which a 4.25% spread is applied for facility A and 4.75% for facility B and the Additional Facility. The lines have a lifetime until December 2021. Please refer to the table in Note 41 for details.

Note that the senior loan Facility is subject to a quarterly check of the financial covenants that were fully met as at 31 December 2015. They are as follows:

- interest cover ratio (EBITDA/Net cash expenses)
- Fixed Charge cover ratio (Cash flow/Debt service)
- Leverage ratio (Net debt/EBITDA)

The amounts due to other lenders refer to what agreed by the subsidiary Antares Ilumination S.A.U. with ING Leasing of Madrid (ES) as a consequence of the purchase under capital lease of the industrial building and of the related take over of the underlying lease.

The commitment is over 5 years for € 3,476 thousand, and it broken down as follow:

- within 12 months € 577 thousand
- over 12 months € 5,960 thousand

Financial liabilities as at 31 December 2014 included the short-term debt owed to the previous minority shareholders of Antares Iluminacion S.A.U. for the purchase of the minority share of 7.67%, concluded in early 2015, whereas the balance as at 1 January 2014 referred to the residual amount due for purchase of the previous additional quota of 14.5% finalised in 2012.

22 Other non-current liabilities

Other non-current liabilities refers to non-current rental payables.

	31/12/2015	31/12/2014	01/01/2014
Other payables over 12 months	165	163	346
Other non-current liabilities	**165**	**163**	**346**

23 Trade payables

Trade payables broken down by geographical area are shown below. Please note that a portion of the increase in the item, amounting to € 2,033 thousand, is associated with the contribution of the newly-acquired companies

	31/12/2015	31/12/2014	01/01/2014
Italy	14,393	12,236	12,698
EEC	8,688	8,364	7,847
Non-EEC	4,413	1,195	1,653
Total trade payables	**27,494**	**21,796**	**22,198**

The item includes trade payables to suppliers totalling € 21,200 thousand, advance payments from customers and allocations to invoices to receive for € 6,294 thousand. The aging of the trade payables to suppliers is shown below.

	Balance sheet amount	Due	0-30	30-60	60-90	90-120	Over 120
Payables Italy	11,974	10,991	770	24	68	67	54
Payables EEC	7,648	7,329	207	8	47	56	—
Payables Non-EEC	1,578	459	969	73	19	59	—
Total trade payables to suppliers	**21,200**	**18,779**	**1,946**	**105**	**134**	**182**	**54**

24 Tax payables and other liabilities

Tax payables and other current liabilities include tax payables and current amounts due to tax authorities totalling € 2,248 thousand, amounts due to social security institutions for € 1,154 thousand and due to personnel and other payables for € 7,858 thousand.

The breakdown of the items follows:

Current tax payables and due to tax authorities

	31/12/2015	31/12/2014	01/01/2014
Due to tax authorities	1,804	1,153	1,314
Due to VAT	328	245	335
Other liabilities	117	250	12
Current tax payables and due to tax authorities	**2,248**	**1,648**	**1,660**

Due to social security institutions

	31/12/2015	31/12/2014	01/01/2014
Due to social security authorities	1,154	927	1,028
Total due to social security institutions	**1,154**	**927**	**1,028**

Due to personnel and other payables

	31/12/2015	31/12/2014	01/01/2014
Due to personnel	3,193	2,209	2,059
Due for accrued vacations	962	896	930
Due to board members	1,166	1,673	1,992
Employee tax payables	1,216	856	776
Payables for customer bonuses and other liabilities	1,320	1,278	1,125
Total due to personnel and other payables	**7,858**	**6,912**	**6,882**

25 Revenues

Revenues as at 31 December 2015 amounted to € 178,635 thousand and refer to the sale of products and services. € 9,560 thousand of the increase is due to organic growth.

	2015	%	2014	%
Italy	28,782	16.00%	24,620	15.50%
Europe	97,116	54.36%	84,645	53.30%
Outside Europe	52,737	29.52%	49,537	31.20%
Total	**178,635**	**100%**	**158,803**	**100%**

26 Other revenues and income

These include rents, insurance repayments, revenues for transports and other items, as broken down in the following table.

	2015	2014
Rents	94	172
Sundry revenues	2,216	2,432
Capital gains from disposal of assets	26	477
Total other revenues and income	**2,336**	**3,081**

27 Purchases of raw materials and change in inventories

Purchases of raw materials and variation in inventories is broken down in the following table:

	2015	2014
Purchase of raw materials, work in progress, finished products	52,875	47,894
Purchase of promotion and advertising materials	803	627
Purchase of other miscellaneous material	379	302
Change in work in progress, semifinished and finished goods	(19)	1,472
Change in long-term contracts	(46)	(59)
Change in inventories of raw materials	(471)	(1,909)
Total purchases di MP and variation in inventories	**53,521**	**48,327**

28 Personnel costs

Personnel costs is broken down in the following table:

	2015	2014
Wages and salaries	21,006	18,431
Social security contributions	5,142	4,594
Employee severance indemnities and pensions	561	459
Other personnel costs	404	372
Total personnel costs	**27,113**	**23,858**

The headcount of Group employees broken down by category follows:

Number of Flos S.p.A. employees	
Executives	5
White-collar staff	101
Blue-collar staff	42
Total Flos S.p.A. employees	**148**
Number of employees of Subsidiaries	
Executives	6
White-collar staff	259
Blue-collar staff	163
Total employees of Subsidiaries	**428**
Total Group employees	**576**

29 Costs for services

Costs for services is broken down in the following table:

	2015	2014
Subcontract work and services for production	12,027	11,198
Fees, Royalties, Advertising and Communications	11,044	10,529
Transport and customs costs	8,668	7,919
Utilities, ancillary, maintenance, repairs and EDP fees	2,616	2,316
Technical, artistic, tax, legal and various consultants	5,397	3,232
Remuneration for directors, statutory auditors and audit	3,632	3,284
Transfers and entertainment	2,301	2,363
Training, subcontract personnel, banking services and other	2,495	2,162
Insurance, patents and trademarks, post and telegraph and other	1,951	1,891
Total costs for external services	**50,131**	**44,894**

Costs for services include € 1,775 thousand in non-recurring costs regarding extraordinary operations that took place during the year.

30 Provisions

The item provisions is broken down in the following table:

	2015	2014
Provision for pension fund	213	250
Provisions for risks	1,090	221
Total provisions	**1,303**	**471**

31 Other costs and charges

The item other costs and charges is broken down in the following table:

	2015	2014
Property rents	2,220	2,229
Rental and leasing fees	998	853
Tax and sundry taxes	560	507
Membership and subscription fees Internet	207	319
Gifts and charity	291	271
Purchase of stationery and office consumables	248	273
Sundry and general	279	210
Other costs	174	351
Total other costs and charges	**4,977**	**5,013**

32 Amortisation, depreciation and write downs

The item amortisation, depreciation and write downs is broken down in the following table:

	2015	2014
Amortisation of intangible fixed assets	3,223	3,222
Depreciation of tangible fixed assets	3,732	3,433
Other write downs	531	374
Total amortisation, depreciation and write downs	**7,486**	**7,028**

33 Financial income

The item financial income is broken down in the following table:

	2015	2014
From receivables recorded within fixed assets	77	138
Income other than the above:		
—Other income	97	200
—Exchange gains realised and not realised	863	800
Total income not classifiable under other items	**960**	**1,000**
Total financial income	**1,037**	**1,138**

34 Financial charges

The item financial charges is broken down in the following table:

	2015	2014
Interest on Senior Loan Facility and leasing	9,024	376
Interest on bank c/a-credit line	3	14
Exchange losses realised and not realised	643	604
Interest on amortised cost of ancillary senior loan Facility charges	1,710	0
Effect of employee severance indemnity/FISC discounting	4	0
Fin. charges due to difference on swap	494	0
Credit line management charges	962	0
Other sundry charges	88	82
Total financial charges	**12,928**	**1,076**

The interest on the Senior Loan Facility referred to the SFA originally signed by Padme S.p.A. and then undertaken by Flos as a borrower following the reverse merger on 26 October 2015. Part of this interest is on the additional facility signed by Flos during 2015. The interest rates applied to the lines are based on 3-month Euribor, to which a 4.25% spread is applied for Facility A and 4.75% for Facility B and the Additional Facility. The lines have a lifetime until December 2021. Please refer to the table in Note 41 for details.

35 Income taxes

The tax detail follows:

	2015	2014
Income taxes		
Current taxes	8,730	9,563
Deferred and prepaid taxes	(5,667)	(192)
Total taxes	**3,063**	**9,371**

The taxes of the year 2015 totalled € 3,063 thousand (€ 9,371 thousand as at 31 December 2014).

Prepaid taxes, € 5,667 thousand, included € 5,022 thousand for what the Parent Company recorded due to the IRES rate change from 27.5% to 24%, expected to go into effect on 1 January 2017. This amount corresponds to the release of deferred taxes recognised on the Trademark, calculated as the difference between the rate still in effect today and the new future rate.

The tax burden for current taxes was determined based on the taxable income arising from the profit for the year, bearing in mind the use of any prior tax losses and apply the nominal rates in effect in each country.

On 27 October 2015 the Spanish tax authorities asked the subsidiary Antares Iluminacion S.A.U. for documents regarding the transfer price for the years 2011 to 2014. The documents were provided and as of today the tax authority has not replied. Management has reason to believe that no future liabilities may rise for Antares from these checks.

36 Prepaid tax

The changes in prepaid tax is described in the following table:

Prepaid tax	31/12/15			31/12/14			01/01/2014		
Prepaid tax provision at beginning of year			**2,734**			**2,626**			**847**
Prepaid tax allocated in previous years, used during the year:									
—Remuneration and other	50	27.50%	14	12	27.50%	3			
—Exchange rate losses from non-deductible valuation	(18)	27.50%	(5)	—	27.50%	—	(34)	27.50%	(9)
—Use of customers' suppl. indemnity provision during the year	—	27.50%	—	(10)	27.50%	(3)	(57)	27.50%	(16)
—Use of prepaid tax—IRAP use of agents' indemnity provision	(58)	27.50%	(16)	—	3.90%	—	(22)	3.90%	(1)
—Adjustment of prepaid tax—IRAP on residual agents' indemnity provision	—	3.90%	—	—	3.90%	—	(92)	3.90%	(4)
—Adjustment of devaluation of Stock Obsolescence Reserve	(7)	31.40%	(2)	—	31.40%	—	(135)	31,40%	(42)
—Use of taxed provision for doubtful accounts	—	27.50%	—	(288)	27.50%	(79)	—	27.50%	—
Prepaid tax allocated during the year									
—Quota final stock obsolescence	192	31.40%	60	68	31.40%	21	188	31.40%	59
—Quota amortisation of non-deductible trademarks	33	31.40%	10	6	31.40%	2	49	31.40%	15
—Quota of taxed provision for doubtful accounts	96	31.40%	30	—	27.50%	—	250	27.50%	69
—Exchange rate losses from non-deductible valuation	23	27.50%	6	—	27.50%	—	50	27.50%	14
—Quota of taxed provision for taxation	150	27.50%	41	—	27.50%	—	—	27.50%	—
—Quota of provisions for liabilities	250	31.40%	79	—	27.50%	—	—	27.50%	—
Prepaid taxes of Group companies	860	31.40%	270	640	31.40%	201	1,889	31.40%	593
Elimination of intercompany profits from FLOS products	245	31.40%	77	322	31.40%	101	1,930	31.40%	606
Elimination of intercompany profits from ANTARES products	23	30.00%	7	(87)	30.00%	(26)	913	30.00%	274
Leases	—	31.40%	—	(105)	31.40%	(33)	105	31.40%	33
Quota of Bail Showroom Paris-Lyon	76	27.50%	21	73	27.50%	20	225	27.50%	62
Consolidated registrations	—	27.50%	—	(360)	27.50%	(99)	436	27.50%	120
Prepaid taxes from IFRS consolidation	76	27.50%	21	—	27.50%	—	—	27.50%	6
Prepaid tax provision at end of year			**3,348**			**2,734**			**2,626**

37 Deferred taxes

The changes in deferred tax is described in the following table:

Deferred taxes	Base amount	%	Deferred taxes	Provision for deferred taxes
Provision for deferred taxes as at 01/01/2014				1,619
Allocations to provision for deferred taxes:				
—Exchange gains from valuation of formation of previous years	32	27.50%	9	9
Utilizations 2015 for FTA:				
—IFRS_R&D costs and others	(40)	31.40%	(13)	(13)
Provision for deferred taxes entries 2014 for FTA:				
—IFRS_FISC discounting effect	3	31.40%	1	
—IFRS_employee severance indemnity discounting effect	(101)	27.50%	(28)	(28)
Deferred taxes of Group companies				(25)
Deferred taxes from IFRS consolidation				9
Provision for deferred taxes as at 31/12/2014				1,571
Prov. for Deferred Taxes entry for FTA:				
—IFRS_Padme S.p.A. amortised cost	18	27.50%	5	
—IFRS_Trademark	143,500	31.40%	45,059	
—Exchange gains accrued in prev. year and realised in current year	11	27.50%	4	45,068
Utilizations 2015 for FTA:				
—IFRS_R&D costs	671	31.40%	(211)	
—IFRS-FISC discounting effect	13	31.40%	5	
—IFRS_Trademark (adjustment of IRES rate to 24%)	143,500	3.50%	(5,023)	(5,228)
Deferred taxes of Group companies	120	27.50%	33	49
Deferred taxes from IFRS consolidation	15	27.50%	4	4
Provision for deferred taxes as at 31/12/2015				41,464

38 Fees to directors and board of statutory auditors

The costs relating to the fees of the company bodies during 2015 are shown below:

• Board of Directors (including contributions)	€3,083 thousand
• Board of Statutory Auditors	€ 164 thousand
• Audit firm	€ 283 thousand

39 Disclosure on related parties

Please refer to the management report for the disclosure pertaining to related parties.

Sales and purchases with related parties are carried out with the same terms and conditions as those prevailing in free transactions. The open balances at year-end are not insured, do not generate interest and settlement is spot. Guarantees for receivables and payables contracted with related parties were neither given nor received. The Group did not record any impairment for receivables contracted with related parties in the year ended 31 December 2015. This valuation is made every year, on every balance sheet date, by examining the financial position of the related party and the market in which the related party operates.

40 Fair value measurement

The hierarchy of the fair value measurement for Group liabilities as at 31 December 2015 is shown in the following table.

		Measurement of fair value through		
	Tot.	Prices listed in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Amounts in thousands of euro		
Liabilities measured at fair value				
Senior loan Facility	184,656		184,656	
Liabilities for IRS	142		142	

There were no transfers between Level 1 and Level 2 during the year.

The hierarchy of the fair value measurement for Group assets and liabilities as at 31 December 2014 is shown in the following table.

		Measurement of fair value through		
	Tot.	Prices listed in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Amounts in thousands of euro		
Liabilities measured at fair value				
Deferred price for acquisition of minority interest in Antares	18,985		18,985	
Liabilities for IRS	—		—	

There were no transfers between Level 1 and Level 2 during the year.

The Group had no existing financial liability as at 31 December 2013.

41 Financial liabilities

The breakdown of financial liabilities is provided in the table below:

	31/12/2015	31/12/2014	01/01/2014
Non-current financial liabilities			
Senior loan Facility—current quota	5,171	—	—
Antares	—	18,985	—
Payables to other financial creditors	616	613	514
Deferred price for Lukas acquisition	496	—	—
Other financial liabilities		—	132
Total non-current financial liabilities	**6,283**	**19,598**	**646**
Total current financial liabilities			
Senior loan Facility—non-current quota	179,628	—	—
Payables to other financial creditors	6,047	6,621	7,094
Deferred price for Lukas acquisition	1,631	—	—
Other amounts owed to banks	—	—	35
Total non-current financial liabilities	**187,305**	**6,621**	**7,129**
Total financial liabilities	**193,588**	**26,219**	**7,775**

The table below provides the characteristics of the credit facilities in place as at 31 December 2015, accounted to the profit and loss account, without application of the cash flow hedge.

Credit line	Execution date	Rate	Amount	Current liability as at 31/12/2015	Non-current liability as at 31/12/2015
Line A—Amortising	25-nov-14	Euribor + 4.25%	45,000	4,500	37,312
Line B—Bullet	25-nov-14	Euribor + 4.75%	120,000	—	113,102
Revolving line	25-nov-14	Euribor/Libor +4.25%	20,000	—	—
Capex line—Amortising	25-nov-14	Euribor + 4.25%	20,000	—	—
Additional Facility line	22-jun-15	Euribor + 4.75%	30,000	—	29,214
Accrued liability			—	528	0
			235,000	**5,028**	**179,628**

The mark to market of the two derivative financial instruments in place as at 31 December 2015 is summarised below:

Subscription date	Maturity date	Notional currency	Notional	Mark to Market as at 31/12/2015
16/10/2015	02/12/2021	EUR	30,000	(142)
06/03/2015	02/12/2021	EUR	120,000	48

42 Fair value

	Book value			Fair value		
	2015	2014	2013	2015	2014	2013
Financial assets	*Amounts in thousands of euro*			*Amounts in thousands of euro*		
Assets for IRS	48	—	—	48	—	—
Total financial assets	**48**	**—**	**—**	**48**	**—**	**—**
Financial liabilities						
Senior loan Facility	184,656	—	—	184,656	—	—
Deferred price for acquisition of minority interest in Antares	—	18,985	—	—	18,985	—
Liabilities for IRS	142	—	—	142	—	—
Total financial liabilities	**184,798**	**18,985**	**—**	**184,798**	**18,985**	**—**

Management verified that the fair value of the cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the book value consequent to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is shown at the amount for which the instrument might be exchanged in a current transaction between willing parties rather than in a forced sale or a liquidation. The following methods and assumptions were used to estimate the fair value:

- Long-term receivables and loans, both fixed rate and variable rate, are measured by the Company based on parameters such as interest rates, specific risk factors for each country, individual creditworthiness of each customer and the characteristic risk of the financial project. Based on this measurement, the provisions for the losses expected on these receivables are recorded in accounting.
- The fair value of listed securities and bonds is based on the price listed on the date of the financial statements. The fair value of the unlisted instruments, such as bank loans or other financial liabilities, obligations arising from financial leasing or as other non-current financial liabilities, is estimated through the future cash flows discounted applying the current rates available for liabilities with similar terms, such as credit risk and the remaining deadlines. In addition to being sensitive to reasonably possible changes in the expected cash flows or the

discount rate, the fair value of the instruments representative of capital is also sensitive to reasonably possible changes in growth rates. The measurement requires management to use unobservable input data. The significant unobservable input data are illustrated in the following table. Management regularly defines a range of reasonably possible alternatives for these significant unobservable input data and determines their impact on the total fair value.

- The fair value of the unlisted ordinary shares was estimated using the discounted cash flow model. The measurement requires management to make certain assumptions regarding the model's inputs, including expected cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the interval can be reasonably checked and they are used in management's estimates of the fair value for these unlisted investments.
- The fair value of the financial assets available for sale is taken from the prices listed by the market in the active markets, if available.
- The Company executes derivative financial instruments with different counterparties, which are mostly financial institutes with an assigned credit rating. The derivatives measured using valuation techniques with observable market data consist of swaps on interest rates. The models consider different inputs, including the counterparty's credit quality and the forward rates. As at 31 December 2015, the mark-to-market value of the derivative assets was shown net of an adjustment associated with recognition of the default risk of the counterparty in the derivative contract.

43 Statements of reconciliation between Italian and international accounting principles

43.1 Introduction

The FLOS Group prepared its first IFRS consolidated financial statements as at 31 December 2015.

On 2 December 2014 Padme S.p.A. acquired 100% of Flos S.p.A. through a leverage buy out transaction.

As at 31 December 2014 the FLOS Group availed itself of the right of exemption from the obligation to draft the consolidated financial statements as provided for by Art. 27 of Italian Legislative Decree 127/91 since the latest parent company, Padme S.p.A., drew up the consolidated financial statements in turn, pursuant to the Italian accounting principles.

On 27 July 2015 the Flos Board of Directors approved the reverse merger to incorporate the parent companies Padme S.p.A. and Arco S.p.A. (hereinafter "incorporated companies") in Flos S.p.A. (hereinafter "incorporating company"). The deeds of merger were executed on 26 October 2015, and went into effect on 28 October 2015. The accounting and tax effects of the mergers started retroactively on 1 January 2015.

In agreement with the international accounting standards, the consolidated financial statements drafted by the FLOS Group as at 31 December 2015 implements the effects generated by the reverse merger between Padme S.p.A. and Flos S.p.A., while the comparison as at 31 December 2014 represents only the FLOS Group prior to acquisition.

As instructed by IFRS 1, the date of transition to the international accounting standards was set at 1 January 2014.

That being said, and bearing in mind the Committee of European Securities Regulators (CESR) Recommendation published on 30 December 2003 in order to guarantee a sufficient understanding of the effects of the transition to the new rules for the balance sheet accounts, the information required by international accounting standard IFRS 1 "First adoption of the International Financial Reporting Standards", with particular reference to the reconciliations provided for by paragraphs 39 and 40 of the same standard, completed with the relevant explanatory notes on the preparation criteria and items, is provided herein below. In particular, this information regards the impact that the conversion to the International Financial Reporting Standards (IFRS) caused, with reference to the year 2014, on the consolidated financial position, the consolidated financial performance and the consolidated cash flows presented.

The following were prepared for this purpose:

- the notes regarding the rules of first adoption of the IFRSs (IFRS 1) and other selected IFRSs, including the assumptions of the Directors on the principles and on the IFRS interpretations that came into effect and on the accounting policies adopted when drafting the first consolidated financial statements in keeping with the IFRSs as at 31 December 2015;
- reconciliation of the shareholders' equity according to the previous accounting principles and what was recognised in compliance with the IFRSs on the following dates:
  - date of transition to IFRS (1 January 2014)
  - year-end date as at 31 December 2014 drafted based on the previous principles;
  - reconciliation of the economic result shown in the 2014 financial statements drawn up based on the previous accounting principles with the economic result arising from application of the IFRS for the same financial year;
- comments on the statements of reconciliation;
- analytical statements of reconciliation of the balance sheets as at 1 January 2014 and 31 December 2014 and of the 2014 profit and loss account.

As is more analytically explained hereunder, the IFRS balance sheet and the IFRS profit and loss account were obtained by introducing the appropriate IFRS reclassifications and adjustments to the final data, drawn up according to the rules of Italian law, to reflect the changes in the presentation, recognition and measurement criteria required by the IFRSs.

The information provided in this section is meant to provide a thorough overview of the process of changing over to the international accounting principles for the FLOS Group.

43.2 Basis of presentation of the financial data restated in compliance with the IFRSs as at 31 December 2014

The objective of the financial data restated in compliance with the IFRSs is to represent the financial position of the Flos S.p.A. Group as at 31 December 2014 in agreement with the measurement and valuation criteria provided for by the IFRSs approved by the European Commission, as described hereunder.

The financial data restated in compliance with the IFRSs were obtained by introducing the appropriate IFRS reclassifications and adjustments to the final data, drawn up according to the regulations current in effect, interpreted by the accounting principles issued by the National Board of Chartered Accountants and the Italian Accounting Body (OIC) (hereinafter "Italian accounting principles", to reflect the changes in the presentation, recognition and measurement criteria required by the IFRSs.

The effects of the transition to the IFRSs derive from accounting principle changes and, as a result, they are reflected on the initial shareholders' equity at the transition date (1 January 2014), as required by IFRS 1. Switching over to the IFRSs involved maintaining estimates previously formulated according to the Italian accounting principles, unless adoption of the IFRS accounting standards requires the formulation of estimates according to different methodologies.

The adjustments were prepared in compliance with the IFRS accounting standards in effect as at 31 December 2015 that the International Accounting Standards Board (IASB) adopted and the European Commission approved, and with the interpretations of the International Financial Reporting Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Please note that the European Commission's approval process and the correction and interpretation activity of the official bodies in charge continues to evolve.

As they are prepared only for the transition to the first complete financial statements according to the IFRSs adopted by the European Union, the IFRS statements of reconciliation contain no comparative data or necessary explanatory notes that would be required for fully representing the financial position and the economic result of the FLOS Group pursuant to the IFRS standards.

43.2.1 Rules of application, accounting options adopted when adopting IFRSs and IFRS accounting standards

Notes on first adoption of the international accounting standards (First Time Adoption—IFRS 1)

With reference to the options offered by the IFRSs, the following choices were made:

Method of presenting the accounts

The "current/non-current" criterion was adopted for the balance sheet, while the scheme with costs classified by nature was adopted for the profit and loss account. This involved reclassifying historical financial statements prepared according to the structures provided for by Italian Legislative Decree 127/1997.

Optional exemptions provided for by IFRS when first adopting the IFRS (1 January 2006)

- business combinations: IFRS 1 establishes that on the transition date one can decide to not retroactively apply IFRS 3 Business combinations to the business combinations that took place before the date of transition to the IFRSs. The FLOS Group made use of this exemption and adopted IFRS 3 prospectively, starting from 1 January 2014.
- valuation of property, plant and machinery, and of the intangible fixed assets at fair value or, as an alternative, at revalued cost as substitute value of the cost: The FLOS Group applied revalued cost as the substitute value of the cost for the property held by Antares Ilumination S.A.U., located in Valencia;
- employee benefits: the actuarial gains and losses accumulated from the beginning of the plans until the date of transition to the IAS/IFRSs were charged directly to the shareholders' equity at the transition date (1 January 2014).

Accounting treatments chosen from the accounting options provided for by the IFRSs

- valuation of the tangible and intangible fixed assets: after initial recognition at cost, IAS 16 and IAS 38 state that these assets can be measured at cost (and depreciated and amortised) or at fair value. The FLOS Group decided to adopt the cost method;
- valuation of the investment property: after initial recognition at cost, IAS 40 states that these assets can be measured at cost (and depreciated) or at fair value. The FLOS Group decided to adopt the cost method.

43.2.2 Main impacts arising from application of the IFRSs to the opening consolidated financial position as a financial statements as at 31 December 2014

Reconciliation of the consolidated shareholders' equity as at 1 January 2014 and as at 31 De economic result of the year 2014

Amounts in thousands of euro	Note	Shareholders' equity as at 1 January 2014	Profit (loss) for the year 2014	Distribution of dividends	Change in exchange rate difference reserve	Value adjustment of Flos INC call option	Ac of int A
Group and minority shareholders' equity		99,167	22,424	(7,947)	148		
Minority shareholders' equity		6,857	2,077	(800)	70		
Group shareholders' equity according to the Italian GAAP		**92,310**	**20,347**	**(7,147)**	**78**	**—**	
Impairment of Goodwill and reversal of amortisation	43.3.1	—	610				(2
Consolidation Flos UK Ltd	43.3.2	—	(3)		3		
Development cost capitalisation	43.3.3	1,602	35				
Fair value measurement of land and buildings	43.3.4	2,992	(29)				
Employee severance indemnity discounting	43.3.5	39	(25)				
Acquisition of minority interests		—	—				
Call options of Flos Inc	43.3.6	(42)	—			(10)	
Provision for agents' leaving indemnities	43.3.7	30	(33)				
Leasehold improvements	43.3.8	—	—				
Total Adjustments before tax effect		**4,621**	**556**	**—**	**3**	**(10)**	**(2**
Tax effects of adjustments		(1,412)	2		15		
Total Adjustments after tax effect		**3,209**	**557**	**—**	**18**	**(10)**	**(2**
Group and minority shareholders' equity according to IFRSs		**102,376**	**22,982**	**(7,947)**	**166**	**(10)**	**(2**
Minority share on items reconciled		225				(13)	
Minority shareholders' equity		**7,081**	**2,077**	**(800)**	**70**	**(13)**	

43.3 Explanatory notes on the statements of reconciliation

The single adjustment items are shown in the table before tax and minority interest, while the relevant tax effects and those on minority interest are shown combined in one separate adjustment item.

The main IFRS adjustments made to the values determined according to the Italian accounting principles are commented here.

43.3.1 Goodwill

In compliance with IFRS 3, starting from 1 January 2014 (FTA date) goodwill is no longer systematically amortised in the profit and loss account, but is subject to a periodic impairment test carried out at least once a year in order to identify any impairment.

The goodwill recognised concerns the consolidation difference for the 2004 acquisition of Antares Iluminacion S.A.U.. This item, according to Italian accounting principles, is amortised in the ten-year period, in line with the expected profits of the company.

Application of IAS 38/IFRS 3 led to the following impacts:

- as at 1 January 2014: non change in shareholders' equity
- as at 31 December 2014: a € 610 thousand total increase in shareholders' equity. Total profit before tax for the year recorded a € 610 thousand increase due to the effect of less amortisation.

43.3.2 Consolidation of Flos UK

The Italian accounting principles allow the subsidiaries considered irrelevant for the purpose of truthful and correct representation of the state of affairs and the economic result of the Group to be left out of the consolidation area. Based on this principle, the subsidiary Flos UK Ltd had been measured under the equity method as it was not significant.

IFRS 10 does not permit this accounting treatment. The Group therefore fully consolidated the subsidiary.

Consolidation of Flos UK led to the following impacts:

- As at 1 January 2014: an increase in property, plant and machinery for € 95 thousand, a decrease in the equity investments in the Group companies for € 248 thousand, an increase in inventories, trade receivables and cash and cash equivalents for € 19 thousand, € 111 thousand and € 117 thousand, respectively. Current liabilities increased by € 98 thousand and are broken down as follows: greater trade payables for € 58 thousand and a higher amount due to personnel for € 40 thousand.
- As at 31 December 2014: a decrease in the equity investments in the Group companies for € 250 thousand, an increase in cash and cash equivalents and receivables for other assets for € 252 thousand and € 29 thousand, respectively. Current liabilities increased by € 31 thousand due to the recognition of greater trade payables for € 31 thousand. The profit and loss account showed an increase in revenues for € 258 thousand, an increase in costs for purchase of raw materials for € 40 thousand, for purchase of services for € 219 thousand and a Group share of the result of subsidiaries for € 2 thousand and a € 15 thousand increase in taxes.

43.3.3 Development cost capitalisation

According to IAS 38, intangible fixed assets originating from the development of new products must be capitalised if and only if a company can demonstrate the following: (a) the technical feasibility of completing the intangible asset so it is available for use or for sale; (b) its intention to complete the intangible asset to use it or sell it; (c) its ability to use or sell the intangible asset;

(d) in which way the intangible asset will generate probable future economic benefits; (e) the availability of technical, financial and other type of resources adequate for completing the development and for the use or sale of the intangible asset; (f) its ability to reliably measure the cost attributable to the intangible asset during its development.

Application of this principle involved capitalisation of the development costs concerning the new products, with the consequent impacts:

- as at 1 January 2014: an increase in total shareholders' equity of € 1,602 thousand before a negative tax effect of € 494 thousand for recognition of deferred tax liabilities of the same amount following the increase in intangible fixed assets for € 1,602 thousand;
- as at 31 December 2014: an increase in total shareholders' equity of € 1,637 thousand before a negative tax effect of € 505 thousand for recognition of deferred tax liabilities of the same amount following the increase in intangible fixed assets for € 1,637 thousand; profit for the year recorded a € 35 thousand increase due to the effect of the higher amortisation of € 1,609 thousand and of the lower personnel costs of € 1,643 thousand before the relevant total negative tax effect of € 11 thousand.

43.3.4 Fair value of property

According to IFRS 1, the company can choose to measure an element of the property, plant and machinery at fair value as at the date it switches over to the IFRSs and later use this value as cost substitute.

The company decided to revalue the property held by Antares Ilumination S.A.U. in Valencia as at 1 January 2014, in agreement with the appraisal in its possession.

Application of this principle involved the consequent impacts:

- as at 1 January 2014: an increase in total shareholders' equity of € 2,992 thousand before a negative tax effect of € 897 thousand for recognition of deferred tax liabilities following the increase in assets for € 2,992 thousand;
- as at 31 December 2014: an increase in total shareholders' equity of € 2,963 thousand before a negative tax effect of € 889 thousand for recognition of deferred tax liabilities following the increase in assets for € 2,963 thousand; profit for the year recorded a € 29 thousand decrease due to the effect of the higher amortisation of € 29 thousand before the relevant total positive tax effect of € 9 thousand.

43.3.5 Employee severance indemnities

The Italian accounting principles require recognising the liability for employee severance indemnities on the basis of the nominal liability accrued toward the individual employees according to statutory provisions in force on the closing date of accounts; according to the IFRSs, the institution of employee severance indemnities accrued up until 31 December 2013 falls within the type of defined benefit plans subject to actuarial valuations (mortality, foreseeable remuneration changes, etc.) in order to state the current value of the benefit disbursable at the end of employment that the employees have accrued as at the balance sheet date. To satisfy the IFRSs, all actuarial gains and losses were recognised on the date of transition to the IFRSs. This different accounting setup led to the following impacts:

- as at 1 January 2014: an increase in total shareholders' equity of € 39 thousand before a negative tax effect of € 11 thousand for recognition of deferred tax liabilities, caused by a reduction in employee severance indemnities of € 39 thousand;
- as at 31 December 2014: a decrease in total shareholders' equity of € 177 thousand before a positive tax effect of € 49 thousand for recognition of prepaid tax assets caused by the € 177 thousand increase in employee severance indemnities; total profit before tax for the

year recorded a € 25 thousand decrease due to the effect of the increase in service costs for € 28 thousand and the increase in financial charges for the amount of € 53 thousand before the relevant positive tax effects of € 8 thousand.

43.3.6 Call option of Flos Inc

On 31 May 2013 the companies Flos USA Inc and Flos S.p.A. signed a Senior Management Shareholder Agreement, in which the conditions for paying the bonus for an executive are regulated. By way of annual bonus or strategic bonus for FY 2011 and 2012, Flos USA Inc issued a total of 2 shares of executive stock to the executive. The agreement states that in the case of withdrawal, Flos USA Inc or Flos S.p.A. will buy back the executive stock by paying a price for each share that will be measured on the basis of the pro-rata of the shareholders' equity at the transaction date.

In agreement with IAS 32, the transaction led to the following impacts:

- as at 1 January 2014: a decrease in the minority shareholders' equity of € 42 thousand caused by the increase in non-current liabilities of € 42 thousand.
- as at 31 December 2014: a decrease in the minority shareholders' equity of € 52 thousand caused by the increase in non-current liabilities of € 52 thousand.

43.3.7 Provision for agents' leaving indemnities

The provision for agents' leaving indemnities (FISC) concerns the amount to pay sales agents if the Group terminates their contracts. The lower income to grant the sales intermediaries is therefore compensated by FISC, which is due to them based on a calculation as described pursuant to Art. 1751 of the Italian Civil Code.

FISC was classified a non-current liability as at the date of transition to the IFRSs and the Group judged the corresponding time value of the money as tangible. As a result, according to IAS 37, the provision was discounted using a current pre-tax rate that reflects the specific risks of the liability.

This different accounting setup led to the following impacts:

- as at 1 January 2014: an increase in total shareholders' equity of € 30 thousand before a negative tax effect of € 9 thousand for recognition of deferred tax liabilities, caused by a reduction in the provision for agents' leaving indemnities of € 30 thousand;
- as at 31 December 2014: a decrease in total shareholders' equity of € 3 thousand before a positive tax effect of € 10 thousand for recognition of deferred tax liabilities caused by the € 3 thousand increase in the provision for agents' leaving indemnities; profit for the year recorded a € 33 thousand decrease due to the effect of the adjustment of the provision for the amount of € 33 thousand before the positive tax effects of € 10 thousand.

43.3.8 Leasehold improvements

According to the provisions of IAS 16—Intangible fixed assets—leasehold improvements can be capitalised when they represent separable assets or are parts of identifiable assets. If they reflect these requirements, they have to be reclassified to property, plant and machinery.

Application of this principle involved:

- As at 1 January 2014: reclassification of the capitalised leasehold improvements regarding the leased stores to property, plant and machinery per € 1,053 thousand;
- As at 31 December 2014: reclassification of the capitalised leasehold improvements regarding the leased stores to property, plant and machinery per € 907 thousand in 2014.

Statements of reconciliation of the consolidated balance sheet as at 1 January 2014 and 31 December 2014

Amounts in thousands of euro	1 January 2014 - ITA GAAP	IFRS adjustments	IFRS reclassifications	1 January 2014 - IFRS
Non-current assets				
Intangible fixed assets				
—Goodwill	610	—	—	610
—Other intangible fixed assets	5,650	1,602	(1,053)	6,199
Property, plant and machinery	44,940	3,086	1,053	49,080
Equity investments in Group companies	248	(248)	—	(0)
Deferred tax assets	2,621	5	—	2,626
Non-current financial assets	902	—	—	902
Other non-current assets	335	—	—	335
Total non-current assets	**55,307**	**4,445**	**—**	**59,752**
CURRENT ASSETS				
Inventories	20,309	19	—	20,328
Trade receivables	30,552	111	—	30,663
Tax assets and other assets				
—Current tax credit and due from tax authorities	3,030	—	—	3,030
—Other assets	1,886	4	—	1,890
Cash and cash equivalents and short-term deposits	30,805	117	—	30,923
Total current assets	**86,581**	**252**	**—**	**86,834**
TOTAL ASSETS	**141,888**	**4,697**	**—**	**146,585**

Amounts in thousands of euro	1 January 2014 - ITA GAAP	IFRS adjustments	IFRS reclassifications	1 January 2014 - IFRS
SHAREHOLDERS' EQUITY				
Share capital	1,875	—	—	1,875
Other reserves	72,750	(5)	—	72,745
FTA reserve	—	3,251	—	3,251
Profit/(Loss) carried forward	(546)	(266)	—	(812)
Profit for the year	18,230	5	—	18,235
Total shareholders' equity of the Group	**92,310**	**2,984**	**—**	**95,294**
Minority shareholders' equity	6,857	225	—	7,081
Total shareholders' equity	**99,167**	**3,209**	**—**	**102,375**
NON-CURRENT LIABILITIES				
Defined benefit plans	1,778	(39)	—	1,739
Provisions for contingencies and other charges	995	(30)	—	965
Non-current financial liabilities	7,129	—	—	7,129
Deferred taxes	202	1,417	—	1,619
Other non-current liabilities				
—Other non-current liabilities	304	42	—	346
Total non-current liabilities	**10,408**	**1,390**	**—**	**11,798**
Current liabilities				
Current financial liabilities	646	—	—	646
Trade payables	22,140	58	—	22,198
Payables per tax and other liabilities				
—Current tax payables and due to tax authorities	1,660	—	—	1,660
—Due to personnel and social security institutions	1,028	—	—	1,028
—Other liabilities	6,841	40	—	6,882
Total current liabilities	**32,314**	**99**	**—**	**32,412**
TOTAL LIABILITIES	**42,721**	**1,489**	**—**	**44,210**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**141,888**	**4,697**	**—**	**146,585**

Amounts in thousands of euro	31 December 2014 - IT GAAP	IFRS adjustments	IFRS reclassifications	31 December 2014 - IFRS
Non-current assets				
Intangible fixed assets				
—Goodwill	6,014	(5,403)	—	610
—Other intangible fixed assets	4,794	1,637	(907)	5,524
Property, plant and machinery	43,537	2,963	907	47,407
Equity investments in Group companies	251	(251)	—	(0)
Deferred tax assets	2,685	49	—	2,734
Non-current financial assets	558	—	—	558
Other non-current assets	264	—		264
Total non-current assets	**58,103**	**(1,005)**	**—**	**57,098**
CURRENT ASSETS				
Inventories	21,253	—	—	21,253
Trade receivables	29,125	—	—	29,125
Tax assets and other assets				
—Current tax credit and due from tax authorities	1,408	—	—	1,408
—Other assets	1,402	29	—	1,430
Current financial assets	26	—	—	26
Cash and cash equivalents and short-term deposits	43,608	253	—	43,860
Total current assets	**96,821**	**281**	**—**	**97,102**
TOTAL ASSETS	**154,924**	**(724)**	**—**	**154,201**

Amounts in thousands of euro	31 December 2014 - IT GAAP	IFRS adjustments	IFRS reclassifications	31 December 2014 - IFRS
SHAREHOLDERS' EQUITY				
Share capital	1,875	—	—	1,875
Other reserves	83,327	(21,986)	—	61,341
Reserve for actuarial gains/(losses)	—	(140)	—	(140)
FTA reserve	—	3,251	—	3,251
Profit/(Loss) carried forward	70	(264)	—	(194)
Profit for the year	20,348	557	—	20,905
Total shareholders' equity of the Group	**105,619**	**(18,581)**	**—**	**87,038**
Minority shareholders' equity	7,456	(2,784)	—	4,672
Total shareholders' equity	**113,075**	**(21,365)**	**—**	**91,710**
NON-CURRENT LIABILITIES				
Defined benefit plans	1,775	177	—	1,952
Provisions for contingencies and other charges	1,301	3	—	1,304
Non-current financial liabilities	6,621	—	—	6,621
Deferred taxes	177	1,393	—	1,571
Other non-current liabilities				
—Other non-current liabilities	111	52	—	163
Total non-current liabilities	**9,985**	**1,625**	**—**	**11,610**
Current liabilities				
Current financial liabilities	613	18,985	—	19,598
Trade payables	21,765	31	—	21,796
Payables per tax and other liabilities				
—Current tax payables and due to tax authorities	1,648	—	—	1,648
—Due to personnel and social security institutions	927	—	—	927
—Other liabilities	6,912	—	—	6,912
Total current liabilities	**31,865**	**19,016**	**—**	**50,881**
TOTAL LIABILITIES	**41,850**	**20,641**	**—**	**62,491**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**154,925**	**(724)**	**—**	**154,201**

Statement of reconciliation of the consolidated profit and loss account as at 31 December 2014

Profit and loss account—amounts in thousands of euro	2014 - ITA GAAP	IFRS adjustments	IFRS reclassifications	2014 - IFRS
Revenues	159,041	258	(496)	158,803
Other revenues and income	3,081	—	—	3,081
Total revenues	**162,121**	**258**	**(496)**	**161,883**
Purchases of raw materials and variation in inventories	(48,288)	(40)	—	(48,327)
Personnel costs	(25,502)	1,643	—	(23,858)
For services	(44,703)	(191)	—	(44,894)
Provisions	(471)	—	—	(471)
Other costs and charges	(5,144)	(33)	164	(5,013)
Total costs	**(124,108)**	**1,380**	**164**	**(122,564)**
Amortisation, depreciation and write downs	(6,001)	(1,027)	—	(7,028)
EBIT	**32,012**	**611**	**(331)**	**32,291**
Financial income	1,138	—	—	1,138
Financial charges	(1,355)	(53)	331	(1,076)
Group share of the result of subsidiaries and joint ventures	2	(2)	—	(0)
Profit/(loss) before tax coming from continuing operations	**31,797**	**556**	**(0)**	**32,353**
Income taxes	(9,373)	2	—	(9,371)
Net profit/(loss) coming from continuing operations	**22,424**	**557**	**(0)**	**22,982**
Net profit of discontinued operations	—	—	—	—
Net profit	**22,424**	**557**	**(0)**	**22,982**
Attributable to:				
Shareholders of the Parent Company	20,348	556	—	20,905
Minority interests	2,077	—	—	2,077
Net profit	**22,425**	**556**	**—**	**22,982**

These financial statements, comprising the statement of financial position, statement of profit/loss of the year, statement of the other components of the comprehensive profit and loss account, statement of changes in shareholders' equity, cash flow statement and explanatory notes, present a true and fair view of the financial position, results of operations for the year and correspond to the book entries.

Bovezzo, 24th March 2016

For the Board of Directors

Chairman

Vitaliano Borromeo Arese

Building a better working world

Flos S.p.A.

Consolidated financial statements as at 31 December 2015

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

Reconta Ernst & Young S.p.A.
Corso Magenta, 29
25121 Brescia

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of Flos S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Flos Group, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated profit/(loss) statement for the year, the consolidated statement of other components of the comprehensive profit and loss account, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Flos S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility also concerns the comparative data and the effects of the transition to these principles, with effects from 1 January 2014.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

Reconta Ernst & Young S.p.A.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Flos Group as at 31 December 2015, 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.

Other aspects

The consolidated financial statements present for comparative purposes the corresponding figures of the previous year and the balance sheet at January 1, 2014 prepared in accordance with the same accounting principles. In addition, the note 43 of the explanatory notes explains the effects of transition to International Financial Reporting Standards as adopted by the European Union. The information presented in this Annex to the notes has been examined by us for the purpose of expressing an opinion on the consolidated financial statements as at 31 December 2015.

Report on other legal and regulatory requirements

Opinion on the consistency of the report on operations[1] with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the consolidated financial statements. The Directors of Flos S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on Operations is consistent with the consolidated financial statements of Flos Group as at 31 December 2015.

Brescia, 7 April 2016

Reconta Ernst & Young S.p.A.
Signed by: Stefano Colpani, partner

This report has been translated into the English language solely for the convenience of international readers.

1 The Report on Operations is not included in this Offering Memorandum.

P-LP
2014 A/S

Malmøgade 3
2100 København Ø
CVR no. 35 86 20 48

Interim consolidated financial statements for the period 1 January—30 June 2018

Interim consolidated financial statements 1 January—30 June

Consolidated income statement

DKKm	2018	2017
Revenue	370	377
Production costs	-190	-203
Gross profit	180	174
Distribution costs	-107	-115
Administrative expenses	-33	-29
Operating profit	40	30
Other financial income	0	3
Other financial expenses	0	0
Profit before tax	40	33
Tax on profit for the year	-12	-10
Profit for the year	28	23

Interim consolidated financial statements
1 January—30 June

Consolidated balance sheet

DKKm	2018	2017
ASSETS		
Fixed assets		
Intangible assets		
Completed development projects	21	16
Acquired licences	5	5
Acquired trademarks	93	102
Acquired rights	22	25
Goodwill	202	215
Development projects in progress	19	7
	362	370
Property, plant and equipment		
Plant and machinery	48	41
Fixtures and fittings, tools and equipment	13	12
Leasehold improvements	8	7
Prepayments for property, plant and equipment	6	12
	75	72
Investments		
Receivables from group enterprises	3	0
Deposits	5	4
Deferred tax	11	16
	19	20
Total fixed assets	456	462
Current assets		
Inventories		
Raw materials and consumables	32	26
Work in progress	11	15
Manufactured goods and goods for resale	44	40
	87	81
Receivables		
Trade receivables	65	62
Other receivables	3	11
Prepayments	9	4
	77	77
Cash at bank and in hand	33	25
Total current assets	197	183
TOTAL ASSETS	653	645

Interim consolidated financial statements 1 January—30 June

Consolidated balance sheet

DKKm	2018	2017
EQUITY AND LIABILITIES		
Equity		
Contributed capital	17	17
Retained earnings	242	197
Equity attributable to the Parent's owner	259	214
Share of equity attributable to minority interests	120	90
Total equity	379	304
Provisions		
Deferred tax	37	38
Other provisions	15	21
Total provisions	52	59
Current liabilities other than provisions		
Bank loans	64	118
Trade payables	72	87
Payables to group enterprises	2	0
Other payables	84	77
	222	282
Total liabilities other than provisions	222	282
TOTAL EQUITY AND LIABILITIES	653	645

Interim consolidated financial statements 1 January—30 June

Consolidated statement of changes in equity

DKKm	Contributed capital	Retained earnings	Equity	Share of equity attributable to minority interests	Total equity
Equity at 1 January 2018	17	224	241	111	352
Fair value adjustments of hedging instruments		-3	-3	-1	-4
Exchange rate adjustments		2	2	1	3
Profit/loss for the year		19	19	9	28
Equity at 30 June 2018	17	242	259	120	379

Interim consolidated financial statements 1 January—30 June

Notes

1 Accounting policies

Reporting class

This interim consolidated financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act applying to reporting class C large entities.

The accounting policies applied to these interim consolidated financial statements are consistent with those applied in the financial statements for 2017.

The presentation of the interim consolidated financial statements have, however, been adjusted and reduced compared to a full set of financial statements, due to the purpose of the interim consolidated financial statements.

Interim consolidated financial statements

The interim consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The interim consolidated financial statements are prepared on the basis of the interim financial statements of the Parent and its subsidiaries. The interim consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the interim consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent

foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income and expenses

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful fives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights, etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When development projects are recognised as intangible assets, an amount equivalent to costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortization of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights, etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5 years
Fixtures and fittings, tools and equipment	2-5 years
Leasehold improvements	5-14 years

For leasehold Improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives arid residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years. Prepayments are measured at cost.

Cash at bank and in hand

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Consolidated income statement for 2017

	Notes	2017 DKK'm	2016 DKK'm
Revenue	1	801	750
Production costs	3, 4	(415)	(431)
Gross profit/loss		**386**	**319**
Distribution costs	4	(219)	(188)
Administrative expenses	2, 4	(69)	(69)
Operating profit/loss		**98**	**62**
Other financial income	5	13	1
Other financial expenses	6	(6)	(21)
Profit/loss before tax		**105**	**42**
Tax on profit/loss for the year	7	(27)	(15)
Profit/loss for the year	8	**78**	**27**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'm	2016 DKK'm
Completed development projects		18	18
Acquired licences		7	5
Acquired trademarks		98	107
Acquired rights		23	26
Goodwill		209	221
Development projects in progress		12	4
Intangible assets	9	**367**	**381**
Plant and machinery		47	42
Other fixtures and fittings, tools and equipment		12	9
Leasehold improvements		8	7
Prepayments for property, plant and equipment		8	3
Property, plant and equipment	10	**75**	**61**
Receivables from owners and management		3	0
Deposits		4	4
Deferred tax	12	11	17
Fixed asset investments	11	**18**	**21**
Fixed assets		**460**	**463**
Raw materials and consumables		32	28
Work in progress		13	11
Manufactured goods and goods for resale		41	29
Inventories		**86**	**68**
Trade receivables		70	75
Other receivables		8	15
Prepayments		7	0
Receivables		**85**	**90**
Cash		**54**	**51**
Current assets		**225**	**209**
Assets		**685**	**672**
Contributed capital		17	17
Retained earnings		224	176
Equity attributable to the Parent's owners		**241**	**193**
Share of equity attributable to minority interests		**111**	**86**
Equity		**352**	**279**
Deferred tax	12	37	38
Other provisions		17	23
Provisions		**54**	**61**
Bank loans		88	174
Trade payables		104	99
Payables to group enterprises		2	0
Other payables		85	59
Current liabilities other than provisions		**279**	**332**
Liabilities other than provisions		**279**	**332**
Equity and liabilities		**685**	**672**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'm	Retained earnings DKK'm	Share of equity attributable to minority interests DKK'm	Total DKK'm
Equity beginning of year	17	176	86	279
Effect of mergers and business combinations	0	(2)	0	(2)
Exchange rate adjustments	0	(3)	0	(3)
Profit/loss for the year	0	53	25	78
Equity end of year	**17**	**224**	**111**	**352**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'm	2016 DKK'm
Operating profit/loss		98	62
Amortisation, depreciation and impairment losses		50	42
Other provisions		(6)	0
Working capital changes	13	15	28
Cash flow from ordinary operating activities		**157**	**132**
Financial income received		13	1
Financial income paid		(6)	(21)
Income taxes refunded/(paid)		(18)	(13)
Cash flows from operating activities		**146**	**99**
Acquisition etc of intangible assets		(21)	(14)
Acquisition etc of property, plant and equipment		(32)	(22)
Sale of property, plant and equipment		(3)	(2)
Cash flows from investing activities		**(56)**	**(38)**
Repayments of loans etc		0	(227)
Incurrence of debt to group enterprises		2	0
Acquisition of treasury shares		(2)	0
Cash flows from financing activities		**0**	**(227)**
Increase/decrease in cash and cash equivalents		**90**	**(166)**
Cash and cash equivalents beginning of year		(124)	43
Cash and cash equivalents end of year		**(34)**	**(123)**
Cash and cash equivalents at year-end are composed of:			
Cash		54	51
Short-term debt to banks		(88)	(174)
Cash and cash equivalents end of year		**(34)**	**(123)**

Notes to consolidated financial statements

	2017 DKK'm	2016 DKK'm
1. Revenue		
Scandinavia	458	386
Rest of Europe	98	117
Rest of World	245	247
	801	**750**

	2017 DKK'm	2016 DKK'm
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1	1
	1	**1**

	2017 DKK'm	2016 DKK'm
3. Staff costs		
Wages and salaries	217	212
Pension costs	13	13
Other social security costs	14	15
	244	**240**
Number of employees at balance sheet date	**459**	**393**
Average number of employees	**429**	**406**

	Remuneration of management 2017 DKK'm	Remuneration of management 2016 DKK'm
Executive Board	7	5
Board of Directors	1	1
	8	**6**

	2017 DKK'm	2016 DKK'm
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	34	29
Depreciation on property, plant and equipment	16	13
	50	**42**

	2017 DKK'm	2016 DKK'm
5. Other financial income		
Other interest income	13	1
	13	**1**

	2017 DKK'm	2016 DKK'm

6. Other financial expenses

	2017 DKK'm	2016 DKK'm
Other interest expenses	6	21
	6	**21**

7. Tax on profit/loss for the year

	2017 DKK'm	2016 DKK'm
Current tax	25	17
Change in deferred tax	1	(2)
Adjustment concerning previous years	1	0
	27	**15**

8. Proposed distribution of profit/loss

	2017 DKK'm	2016 DKK'm
Retained earnings	53	19
Minority interests' share of profit/loss	25	8
	78	**27**

9. Intangible assets

	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
Cost beginning of year	26	12	124	31
Transfers	2	0	0	0
Additions	4	6	0	0
Cost end of year	**32**	**18**	**124**	**31**
Amortisation and impairment losses beginning of year	(8)	(7)	(17)	(5)
Amortisation for the year	(6)	(4)	(9)	(3)
Amortisation and impairment losses end of year	**(14)**	**(11)**	**(26)**	**(8)**
Carrying amount end of year	**18**	**7**	**98**	**23**

	Goodwill DKK'm	Development projects in progress DKK'm
9. Intangible assets		
Cost beginning of year	245	4
Transfers	0	(3)
Additions	0	11
Cost end of year	**245**	**12**
Amortisation and impairment losses beginning of year	(24)	0
Amortisation for the year	(12)	0
Amortisation and impairment losses end of year	**(36)**	**0**
Carrying amount end of year	**209**	**12**

Development projects

Development projects in progress comprise ongoing development of new lighting fixtures that have not yet been completed.

The cost of development projects comprises costs such as salaries, amortisation and indirect costs.

New lighting fixtures are developed for the domestic market as well as markets abroad. The development projects are regularly evaluated by the management. In the evaluation the management evaluates the progress of the projects and the future market for the lighting fixtures.

	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold improvements DKK'm	Prepayments for property, plant and equipment DKK'm
10. Property, plant and equipment				
Cost beginning of year	52	9	9	3
Transfers	3	0	0	0
Additions	13	7	4	8
Disposals	(1)	(3)	(2)	(3)
Cost end of year	**67**	**13**	**11**	**8**
Depreciation and impairment losses beginning of year	(10)	0	(2)	0
Depreciation for the year	(10)	(4)	(2)	0
Reversal regarding disposals	0	3	1	0
Depreciation and impairment losses end of year	**(20)**	**(1)**	**(3)**	**0**
Carrying amount end of year	**47**	**12**	**8**	**8**

	Receivables from owners and management DKK'm	Deposits DKK'm	Deferred tax DKK'm
11. Fixed asset investments			
Cost beginning of year	0	4	17
Additions	3	0	0
Disposals	0	0	(6)
Cost end of year	**3**	**4**	**11**
Carrying amount end of year	**3**	**4**	**11**

	2017 DKK'm
12. Deferred tax	
Changes during the year	
Beginning of year	21
Recognised in the income statement	5
End of year	**26**

	2017 DKK'm	2016 DKK'm
13. Change in working capital		
Increase/decrease in inventories	(18)	9
Increase/decrease in receivables	5	12
Increase/decrease in trade payables etc	24	5
Other changes	4	2
	15	**28**

14. Financial instruments

Other receivables include a positive fair value of forward exchange contracts of DKK 4 million Louis Poulsen A/S hedges future exchange risks relating to sale of goods to subsidiaries. Louis Poulsen A/S has entered into forward exchange contracts for the following 12 months to secure sales in the following currencies JPY 826 million, NOK 29 million and SEK 48 million. All contracts are subscribed with the company's bank.

	2017 DKK'm	2016 DKK'm
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**66**	**90**

	2017 DKK'm	2016 DKK'm
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	3	5
Contingent liabilities in total	**3**	**5**

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Louis Poulsen UK Limited (company no. 01895479) is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006.

17. Assets charged and collateral

The share capital of Louis Poulsen A/S' DKK 10 million, with a carrying amount of DKK 335 million is provided as collateral for the parent company's bank loans.

The parent company has issued a guarantee of payment regarding the subsidiary Louis Poulsen A/S' bank loans amounting to DKK 72 million at 31 December 2017.

The parent company has issued a guarantee of payment regarding all debts in Louis Poulsen UK Limited.

18. Transactions with related parties

All transactions with related parties during the year have been made on markets terms.

19. Subsidiaries

	Registered in	Corporate form	Equity interest %	Equity DKK'm	Profit/ loss DKK'm
Louis Poulsen Holding A/S	Copenhagen, Denmark	A/S	68,7	354	78
Louis Poulsen A/S	Copenhagen, Denmark	A/S	100,0	120	83
Louis Poulsen USA Inc.	Fort Lauderdale, USA	Inc.	100,0	39	3
Louis Poulsen Asia Pte. Ltd.	Singapore, Asia	Ltd.	100,0	0	0
Louis Poulsen Germany GmbH	Düsseldorf, Germany	GmbH	100,0	15	1
Louis Poulsen Sweden AB	Stockholm, Sweden	AB	100,0	4	4
Louis Poulsen Norway AS	Oslo, Norway	AS	100,0	3	2
Louis Poulsen Finland Oy	Helsinki, Finland	Oy	100,0	5	1
Louis Poulsen UK Limited	London, Great Britain	Limited	100,0	0	0
Louis Poulsen Japan Ltd.	Tokyo, Japan	Ltd.	100,0	26	2
Louis Poulsen Switzerland AG	Zürich, Switzerland	AG	100,0	6	4
Louis Poulsen Holland B.V.	Amsterdam, Holland	B.V.	100,0	1	0
Louis Poulsen Italy S.R.L	Milano, Italy	S.R.L	100,0	0	0

Independent auditor's report

To the shareholders of P-LP 2014 A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of P-LP 2014 A/S for the financial year 01.01.2017—31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017—31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, 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 and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 30.04.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Suzette Demediuk Steen Nielsen
statsautoriseret revisor
Identification No (MNE) mne32207

Consolidated income statement for 2016

	Notes	2016 DKK'm	2015 DKK'm
Revenue	1	750	716
Production costs	3, 4	(431)	(435)
Gross profit/loss		**319**	**281**
Distribution costs	4	(188)	(169)
Administrative costs	2, 4	(69)	(79)
Operating profit/loss		**62**	**33**
Other financial income	5	1	0
Other financial expenses	6	(21)	(11)
Profit/loss before tax		**42**	**22**
Tax on profit/loss for the year	7	(15)	(9)
Profit/loss for the year	8	**27**	**13**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'm	2015 DKK'm
Completed development projects		18	10
Acquired licences		5	6
Acquired trademarks		107	115
Acquired rights		26	28
Goodwill		221	233
Development projects in progress		4	4
Intangible assets	9	**381**	**396**
Plant and machinery		42	38
Other fixtures and fittings, tools and equipment		9	9
Leasehold improvements		7	7
Prepayments for property, plant and equipment		3	4
Property, plant and equipment	10	**61**	**58**
Deposits		4	4
Deferred tax		17	20
Fixed asset investments	11	**21**	**24**
Fixed assets		**463**	**478**
Raw materials and consumables		28	39
Work in progress		11	14
Manufactured goods and goods for resale		29	24
Inventories		**68**	**77**
Trade receivables		75	87
Other receivables		15	15
Receivables		**90**	**102**
Cash		**51**	**42**
Current assets		**209**	**221**
Assets		**672**	**699**
Contributed capital		17	17
Revaluation reserve		23	1
Retained earnings		153	153
Equity attributable to the Parent's owners		**193**	**171**
Share of equity attributable to minority interests		**86**	**77**
Equity		**279**	**248**
Deferred tax		38	39
Other provisions	12	23	25
Provisions		**61**	**64**
Bank loans		0	191
Non-current liabilities other than provisions		**0**	**191**
Current portion of long-term liabilities other than provisions		0	37
Bank loans		174	4
Trade payables		99	57
Income tax payable		0	2
Other payables		59	96
Current liabilities other than provisions		**332**	**196**
Liabilities other than provisions		**332**	**387**
Equity and liabilities		**672**	**699**
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Mortgages and securities	16		
Group relations	17		
Subsidiaries	18		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'm	Revaluation reserve DKK'm	Retained earnings DKK'm	Share of equity attributable to minority interests DKK'm
Equity beginning of year	17	1	153	77
Exchange rate adjustments	0	3	0	0
Revaluations for the year	0	19	0	0
Profit/loss for the year	0	0	0	9
Equity end of year	**17**	**23**	**153**	**86**

	Total DKK'm
Equity beginning of year	248
Exchange rate adjustments	3
Revaluations for the year	19
Profit/loss for the year	9
Equity end of year	**279**

Consolidated cash flow statement for 2016

	Notes	2016 DKK'm	2015 DKK'm
Operating profit/loss		62	32
Amortisation, depreciation and impairment losses		42	41
Working capital changes	13	28	66
Cash flow from ordinary operating activities		**132**	**139**
Financial income received		1	0
Financial income paid		(21)	(11)
Income taxes refunded/(paid)		(13)	(13)
Cash flows from operating activities		**99**	**115**
Acquisition etc of intangible assets		(14)	(9)
Acquisition etc of property, plant and equipment		(22)	8
Sale of property, plant and equipment		(2)	0
Cash flows from investing activities		**(38)**	**(1)**
Instalments on loans etc		(227)	1
Repayment of debt to group enterprises		0	(35)
Cash increase of capital		0	18
Cash flows from financing activities		**(227)**	**(16)**
Increase/decrease in cash and cash equivalents		**(166)**	**98**
Cash and cash equivalents beginning of year		42	26
Cash and cash equivalents end of year		**(124)**	**124**
Cash and cash equivalents at year-end are composed of:			
Cash		51	42
Short-term debt to banks		(174)	0
Cash and cash equivalents end of year		**(123)**	**42**

Notes to consolidated financial statements

	2016 DKK'm	2015 DKK'm
1. Revenue		
Scandinavia	386	369
Rest of Europe	117	109
Rest of World	247	238
	750	**716**

	2016 DKK'm	2015 DKK'm
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1	1
	1	**1**

	2016 DKK'm	2015 DKK'm
3. Staff costs		
Wages and salaries	212	210
Pension costs	13	14
Other social security costs	15	18
	240	**242**
Number of employees at balance sheet date	**393**	**420**
Average number of employees	**406**	**442**

	Remuneration of management 2016 DKK'm	Remuneration of management 2015 DKK'm
Executive Board	5	6
Board of Directors	1	1
	6	**7**

	2016 DKK'm	2015 DKK'm
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	29	45
Depreciation on property, plant and equipment	13	11
	42	**56**

	2016 DKK'm	2015 DKK'm

5. Other financial income

	2016 DKK'm	2015 DKK'm
Interest income	1	0
	1	**0**

6. Other financial expenses

	2016 DKK'm	2015 DKK'm
Interest expenses	21	11
	21	**11**

7. Tax on profit/loss for the year

	2016 DKK'm	2015 DKK'm
Tax on current year taxable income	17	13
Change in deferred tax for the year	(2)	(4)
	15	**9**

8. Proposed distribution of profit/loss

	2016 DKK'm	2015 DKK'm
Retained earnings	19	9
Minority interests' share of profit/loss	8	4
	27	**13**

9. Intangible assets

	Completed development projects DKK'm	Acquired licences DKK'm	Acquired trademarks DKK'm	Acquired rights DKK'm
Cost beginning of year	14	11	124	31
Transfers	4	0	0	0
Additions	8	2	0	0
Disposals	0	(1)	0	0
Cost end of year	**26**	**12**	**124**	**31**
Amortisation and impairment losses beginning of year	(4)	(5)	(9)	(3)
Amortisation for the year	(4)	(3)	(8)	(2)
Reversal regarding disposals	0	1	0	0
Amortisation and impairment losses end of year	**(8)**	**(7)**	**(17)**	**(5)**
Carrying amount end of year	**18**	**5**	**107**	**26**

	Goodwill DKK'm	Development projects in progress DKK'm
9. Intangible assets		
Cost beginning of year	245	4
Transfers	0	(4)
Additions	0	4
Disposals	0	0
Cost end of year	**245**	**4**
Amortisation and impairment losses beginning of year	(12)	0
Amortisation for the year	(12)	0
Reversal regarding disposals	0	0
Amortisation and impairment losses end of year	**(24)**	**0**
Carrying amount end of year	**221**	**4**

	Plant and machinery DKK'm	Other fixtures and fittings, tools and equipment DKK'm	Leasehold improvements DKK'm	Prepayments for property, plant and equipment DKK'm
10. Property, plant and equipment				
Cost beginning of year	46	11	8	4
Additions	12	5	2	3
Disposals	(6)	(7)	(1)	(4)
Cost end of year	**52**	**9**	**9**	**3**
Depreciation and impairment losses beginning of the year	(8)	(2)	(1)	0
Depreciation for the year	(8)	(3)	(2)	0
Reversal regarding disposals	6	5	1	0
Depreciation and impairment losses end of the year	**(10)**	**0**	**(2)**	**0**
Carrying amount end of year	**42**	**9**	**7**	**3**

	Deposits DKK'm	Deferred tax DKK'm
11. Fixed asset investments		
Cost beginning of year	4	20
Disposals	0	(3)
Cost end of year	**4**	**17**
Carrying amount end of year	**4**	**17**

12. Other provisions

Other provisions mainly consist of provisions regarding unfavourable lease contracts on premises in Vejen in order to reach a fair market value. Provisions on lease contracts are amortised over the lifespan of the lease contract.

	2016 DKK'm	2015 DKK'm

13. Change in working capital

Increase/decrease in inventories	9	11
Increase/decrease in receivables	12	16
Increase/decrease in trade payables etc	5	2
Other changes	2	37
	28	**66**

	2016 DKK'm	2015 DKK'm

14. Unrecognised rental and lease commitments

Hereof liabilities under rental or lease agreements until maturity in total	**90**	**100**

	2016 DKK'm	2015 DKK'm

15. Contingent liabilities

Recourse and non-recourse guarantee commitments	5	5
Contingent liabilities in total	**5**	**5**

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

16. Mortgages and securities

The share capital of Louis Poulsen A/S' 10 million DKK, with a carrying amount of 373 million DKK are provided as collateral for the parent company's bank loans.

The parent company has issued a guarantee of payment regarding the subsidiary Louis Poulsen A/S' bank loans amounting to 113 million DKK at 31 December 2016.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: P-LP 2014 A/S, Malmøgade 3, 2100 København Ø, CBR. No.: 35 86 20 48

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Louis Poulsen Holding A/S, Gammel Strand 28, 1202 København K, CBR. No.: 35 65 90 21

18. Subsidiaries

	Registered in	Corporate form	Equity interest %	Equity DKK'm	Profit/ loss DKK'm
Louis Poulsen A/S	Copenhagen, Denmark	A/S	100,0	111	33
Louis Poulsen USA Inc.	Fort Lauderdale, USA	Inc.	100,0	40	3
Louis Poulsen Asia Pte. Ltd.	Singapore, Asia	Ltd.	100,0	1	0
Louis Poulsen Germany GmbH	Düsseldorf, Germany	GmbH	100,0	13	1
Louis Poulsen Sweden AB	Stockholm, Sweden	AB	100,0	6	3
Louis Poulsen Norway AS	Oslo, Norway	AS	100,0	3	1
Louis Poulsen Finland Oy	Helsinki, Finland	Oy	100,0	4	0
Louis Poulsen UK Limited	London, Great Britain	Limited	100,0	(1)	0
Louis Poulsen Japan Ltd.	Tokyo, Japan	Ltd.	100,0	26	0
Louis Poulsen Switzerland AG	Zürich, Switzerland	AG	100,0	3	(1)
Louis Poulsen Holland B.V.	Amsterdam, Holland	B.V.	100,0	2	0
Louis Poulsen Holding A/S	Copenhagen, Denmark	A/S	68,8	278	27

Independent auditor's report

To the shareholders of P-LP 2014 A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of P-LP 2014 A/S for the financial year 01.01.2016—31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016—31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, 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 and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 30.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Suzette Demediuk Steen Nielsen
statsautoriseret revisor

Anders Rosendahl Poulsen
statsautoriseret revisor

Consolidated financial statements and parent company financial statements for the period 1 January—31 December

Income statement

Note	DKK millions	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
1	**Revenue**	715,5	30,4	0,0	0,0
2	Production costs	(434,6)	(29,6)	0,0	0,0
	Gross profit/loss	280,9	0,8	0,0	0,0
2	Distribution costs	(169,0)	(7,5)	0,0	0,0
2	Administrative expenses	(67,2)	(11,1)	(0,1)	(0,1)
	Operating profit/loss before amortisation of goodwill (EBITA)	44,7	(17,8)	(0,1)	(0,1)
	Amortisation of goodwill	(12,3)	0,0	0,0	0,0
	Operating profit/loss (EBIT)	32,4	(17,8)	(0,1)	(0,1)
	Share of income/loss in subsidiaries after tax	0,0	0,0	8,9	(12,3)
4	Financial income	0,2	0,0	0,6	0,1
5	Financial expenses	(11,1)	(0,7)	(0,5)	(0,1)
	Profit/loss before tax	21,5	(18,5)	8,9	(12,4)
6	Tax for the year	(8,6)	1,5	0,0	0,0
	Profit/loss for the year	12,9	(17,0)	8,9	(12,4)
	Non-controlling interests' share of the results of subsidiaries	(4,0)	4,6	0,0	0,0
	The Group's share of loss for the year	8,9	(12,4)	8,9	(12,4)
	Proposed distribution of loss				
	Proposed dividends			0,0	0,0
	Retained earnings			8,9	(12,4)
				8,9	(12,4)

Consolidated financial statements and parent company financial statements for the period 1 January—31 December

Balance sheet

Note	DKK millions	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Development completed	10,9	10,0	0,0	0,0
	Software and licences	5,6	8,0	0,0	0,0
	Acquired trademarks	115,4	124,2	0,0	0,0
	Acquired customer relations	28,6	31,2	0,0	0,0
	Goodwill	233,0	245,6	0,0	0,0
	Development in progress	3,6	2,7	0,0	0,0
		397,1	421,7	0,0	0,0
8	**Property, plant and equipment**				
	Plant and machinery	37,9	40,7	0,0	0,0
	Fixtures and fittings, tools and equipment	8,5	8,9	0,0	0,0
	Leasehold improvements	6,0	4,7	0,0	0,0
	Prepayments	4,0	3,5	0,0	0,0
		56,4	57,8	0,0	0,0
	Investments				
9	Investments in subsidiaries	0,0	0,0	170,0	157,7
	Deposits	4,2	4,4	0,0	0,0
13	Deferred tax asset	19,6	18,6	0,0	0,0
		23,8	23,0	170,0	157,7
	Total non-current assets	477,3	502,5	170,0	157,7
	Current assets				
	Inventories				
	Raw materials and consumables	38,7	39,6	0,0	0,0
	Work in progress	14,5	22,4	0,0	0,0
	Finished goods and goods for resale	23,9	26,2	0,0	0,0
		77,1	88,2	0,0	0,0
	Receivables				
	Trade receivables	86,9	93,9	0,0	0,0
16	Corporation tax	0,0	0,0	0,0	0,0
	Amounts owed by affiliates	0,0	0,0	0,0	35,0
	Other receivables	7,2	19,0	0,0	0,0
10	Prepayments	7,5	4,9	0,0	0,0
		101,6	117,8	0,0	35,0
	Cash at bank and in hand	43,0	25,6	1,0	0,0
	Total current assets	221,7	231,6	1,0	35,0
	TOTAL ASSETS	699,0	734,1	171,0	192,7

Consolidated financial statements and parent company financial statements for the period 1 January—31 December

Balance sheet

Note	DKK millions	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	EQUITY AND LIABILITIES				
	Equity				
11	Share capital	17,0	17,0	17,0	17,0
	Reserve for net revaluation under the equity method	1,0	0,0	1,0	0,0
	Retained earnings	153,0	140,6	153,0	140,6
	Total equity	171,0	157,6	171,0	157,6
12	**Non-controlling interests**	77,1	58,1	0,0	0,0
	Provisions				
13	Deferred tax	39,6	43,9	0,0	0,0
14	Other provisions	24,7	22,2	0,0	0,0
	Total provisions	64,3	66,1	0,0	0,0
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
15	Bank loans	190,5	225,4	0,0	35,0
		190,5	225,4	0,0	35,0
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	36,7	36,3	0,0	0,0
	Bank loans and overdrafts	3,6	3,3	0,0	0,0
	Trade payables	56,7	64,8	0,0	0,0
	Amounts owed to affiliated companies	0,0	35,0	0,0	0,0
16	Corporation tax	1,9	4,1	0,0	0,0
17	Other payables	92,8	83,4	0,0	0,1
	Prepayments	4,4	0,0	0,0	0,0
		196,1	226,9	0,0	0,1
	Total liabilities other than provisions	386,6	452,3	0,0	35,1
	TOTAL EQUITY AND LIABILITIES	699,0	734,1	171,0	192,7
18	**Staff costs**				
19	**Contractual obligations and contingencies, etc.**				
20	**Mortgages and collateral**				
21	**Related party disclosures**				

Consolidated financial statements and parent company financial statements for the period 1 January—31 December

Statement of changes in equity

	Consolidated			
DKK millions	**Share capital**	**Retained earnings**	**Reserve for net revaluation**	**Total**
Equity at 1 January 2015	17,0	140,6	0,0	157,6
Value adjustment, accounting value—capital shares	0,0	3,5	1,0	4,5
Profit for the year	0,0	8,9	0,0	8,9
Equity at 31 December 2015	17,0	153,0	1,0	171,0

	Parent Company			
DKK millions	**Share capital**	**Retained earnings**	**Reserve for net revaluation**	**Total**
Equity at 1 January 2015	17,0	140,6	0,0	157,6
Value adjustment, accounting value—capital shares	0,0	3,5	1,0	4,5
Profit for the year	0,0	8,9	0,0	8,9
Equity at 31 December 2015	17,0	153,0	1,0	171,0

Consolidated financial statements and parent company financial statements for the period 1 January—31 December

Cash flow statement

Note	DKK millions	Consolidated 2015	Consolidated 2014
	Operating profit/loss	32,4	(17,7)
	Depreciation and amortisation	41,4	0,9
	Cash generated from operations before changes in working capital	73,8	(16,1)
	Changes in working capital	36,5	21,6
	Cash generated from operations	110,3	4,8
	Interest received	0,2	5,8
	Interest paid	(11,1)	(6,5)
	Cash generated from operations	99,4	4,1
	Corporation tax paid	(13,4)	0,7
	Cash flows from operating activities	86,0	4,8
	Acquisition of intangible assets	(9,3)	(411,1)
	Acquisition of property, plant and equipment	(7,8)	(57,8)
	Changes in deposits	0,2	(4,4)
	Cash flows from investing activities	(16,9)	(473,5)
	External financing:		
	Change in bank loans and overdrafts	0,8	261,7
	Shareholders:		
	Capital raised	17,5	232,6
	Dividends paid	0,0	0,0
	Cash flows from financing activities	18,3	494,3
	Net cash flows from operating, investing and financing activities	16,4	25,6
	Cash and cash equivalents at 1 January	25,6	0,0
	Cash and cash equivalents at 31 December	43,0	25,6

Notes to the financial statements

1 Segment information

Geographical segment

DKK millions	Scandinavia	Rest of Europe	Rest of world	Total
Revenue 2015	368,3	109,2	238,0	715,5
Revenue 2014	13,5	4,8	12,1	30,4

	Consolidated		Parent company	
DKK millions	2015	2014	2015	2014

2 Depreciation, amortisation and impairment losses

Intangible assets	32,8	0,4	0,0	0,0
Property, plant and equipment	11,1	0,5	0,0	0,0
	43,9	0,9	0,0	0,0
Depreciation, amortisation and impairment losses are recognised as follows in the consolidated financial statements and the parent company financial statements:				
Production	12,8	0,5	0,0	0,0
Distribution	2,9	0,1	0,0	0,0
Administration	15,9	0,3	0,0	0,0
Amortisation of goodwill	12,3	0,0	0,0	0,0
	43,9	0,9	0,0	0,0
Recognised net loss on realisations	1,0	0,0	0,0	0,0

3 Fees paid to auditors appointed at the annual general meeting

Total fees to EY	0,7	1,1	0,1	0,1
Fee regarding statutory audit	0,5	0,7	0,1	0,1
Tax assistance	0,2	0,3	0,0	0,0
Other assistance	0,0	0,1	0,0	0,0
	0,7	1,1	0,1	0,1

4 Financial income

Interest income from affiliates	0,0	0,0	0,6	0,1
Foreign exchange gains	0,0	0,0	0,0	0,0
Other interest income	0,2	0,0	0,0	0,0
	0,2	0,0	0,6	0,1

DKK millions	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
5 Financial expenses				
Interest expense to affiliates	0,0	0,0	0,1	0,1
Foreign exchange losses	1,0	0,0	0,0	0,0
Other interest expense	10,1	0,7	0,4	0,0
	11,1	0,7	0,5	0,1
6 Tax on the loss for the year				
Current tax for the year	(12,4)	1,0	0,0	0,0
Adjustment of deferred tax	4,0	0,5	0,0	0,0
Current tax last year	(0,2)	0,0	0,0	0,0
	(8,6)	1,5	0,0	0,0

7 Intangible assets

	Consolidated						
DKK millions	Acquired trademarks	Acquired customer relations	Development completed	Software and licences	Goodwill	Development in progress	Total
Cost at 1 January 2015	124,2	31,2	10,2	8,2	235,2	2,7	411,5
PPA adjustment	0,0	0,0	0,0	0,0	10,4	0,0	10,4
Currency valuation	0,0	0,0	0,0	0,3	(0,3)	0,0	0,3
Additions	0,0	0,0	5,0	2,6	0,0	1,7	9,3
Disposals	0,0	0,0	(0,8)	(0,4)	0,0	(0,8)	(2,0)
Cost at 31 December 2015	124,2	31,2	14,4	10,7	245,3	3,6	429,4
Impairment losses and amortisation at 1 January 2015	0,0	0,0	0,2	0,2	0,0	0,0	0,4
Currency valuation	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Amortisation	8,8	2,6	3,8	5,3	12,3	0,0	32,8
Amortisation, disposals	0,0	0,0	(0,5)	(0,4)	0,0	0,0	(0,9)
Impairment losses and amortisation at 31 December 2015	8,8	2,6	3,5	5,1	12,3	0,0	32,2
Carrying amount at 31 December 2015	115,4	28,6	10,9	5,6	233,0	3,6	397,1
Amortised over	8-20 years	12 years	5 years	3-5 years	20 years	—	—

8 Property, plant and equipment

	Consolidated				
DKK millions	**Pre-payments**	**Plant and machinery**	**Fixtures and fittings, tools and equipment**	**Leasehold improvements**	**Total**
Cost at 1 January 2015	3,5	41,0	9,0	4,8	58,3
Foreign currency translation adjustments, foreign entities	0,0	0,0	0,0	0,0	0,0
Additions on acquisition of subsidiary	0,0	0,0	0,0	0,0	0,0
Additions	0,4	5,5	2,6	2,8	11,3
Transferred	0,0	0,0	0,0	0,0	0,0
Disposals	0,0	(0,6)	(0,8)	0,0	(1,4)
Cost at 31 December 2015	3,9	45,9	10,8	7,6	68,2
Impairment losses and depreciation at 1 January 2015	0,0	0,3	0,1	0,1	0,5
Foreign currency translation adjustments, foreign entities	(0,1)	0,2	(0,3)	0,4	0,2
Depreciation	0,0	7,5	2,5	1,1	11,1
Disposals	0,0	0,0	0,0	0,0	0,0
Depreciation on disposals	0,0	0,0	0,0	0,0	0,0
Impairment losses and depreciation at 31 December 2015	(0,1)	8,0	2,3	1,6	11,8
Carrying amount at 31 December 2015	4,0	37,9	8,5	6,0	56,4
Property, plant and equipment include finance leases with a carrying amount totaling	0,0	0,0	0,0	0,0	0,0
Depreciated over	—	5 years	5 years	5-14 years	

DKK millions	**Parent company 2015**

9 Investments in subsidiaries

Cost at 1 January	170,0
Additions	1,0
Disposals	(2,0)
Cost at 31 December	169,0
Value adjustments at 1 January	(12,4)
Equity adjustments etc.	4,5
Profit for the year	8,9
Value adjustments at 31 December	1,0
Carrying amount at 31 December	170,0

	Share of equity	Nominal capital National currency, million	Equity value DKK millions
Louis Poulsen Holding A/S, Copenhagen, Denmark	69%	DKK 2,5	247,1

	Consolidated		Parent company	
DKK millions	**2015**	**2014**	**2015**	**2014**

10 Prepayments

Insurance premiums	1,0	1,3	0,0	0,0
Other	6,5	3,6	0,0	0,0
	7,5	4,9	0,0	0,0

11 Share capital

The share capital comprises:

DKK 16.830.000 A-share capital and DKK 170.000 B-share capital with a nominal share size of 0,01 DKK and multiples hereof.

	Consolidated	
DKK millions	**2015**	**2014**

12 Non-controlling interests

Non-controlling interests 1 January	58,1	62,7
Increase in non-controlling interests	15,0	0,0
Share of the results of subsidiaries	4,0	(4,6)
Non-controlling interests 31 December	77,1	58,1

	Consolidated		Parent company	
DKK millions	**2015**	**2014**	**2015**	**2014**

13 Deferred tax

Deferred tax at 1 January	25,3	0,0	0,0	0,0
Adjustment of deferred tax	(4,0)	0,2	0,0	0,0
Acquisition of subsidiary	0,0	24,8	0,0	0,0
Other	(1,3)	0,3	0,0	0,0
Deferred tax at 31 December	20,0	25,3	0,0	0,0
Deferred tax relates to:				
Intangible assets	37,6	38,5	0,0	0,0
Property, plant and equipment	2,5	6,9	0,0	0,0
Current assets	(0,1)	(1,5)	0,0	0,0
Provisions	(11,9)	(12,8)	0,0	0,0
Liabilities other than provisions	(0,1)	(0,1)	0,0	0,0
Tax loss carry-forward	(8,0)	(5,7)	0,0	0,0
	20,0	25,3	0,0	0,0
Deferred tax asset	(19,6)	(18,6)	0,0	0,0
Deferred tax liability	39,6	43,9	0,0	0,0
	20,0	23,3	0,0	0,0

14 Provisions

Provisions mainly consist of provisions regarding unfavourable lease contracts on premises in Vejen in order to reach a fair market value. Provisions on lease contracts are amortised over the lifespan of the lease contract.

15 Mortgage credit institutions and banks

The loans are specified as follows:

	Consolidated		Parent company	
DKK millions	**2015**	**2014**	**2015**	**2014**
Banks				
Long-term	190,5	225,4	0,0	35,0
Short-term	36,7	36,3	0,0	0,0
	227,2	261,7	0,0	35,0
Total loans	227,2	261,7	0,0	35,0

The loans are recognised in the balance sheet as follows:

Non-current liabilities other than provisions	227,2	261,7	0,0	35,0
	227,2	261,7	0,0	35,0
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	17,0	117,0	0,0	0,0

	Consolidated		Parent company	
DKK millions	**2015**	**2014**	**2015**	**2014**

16 Corporation tax payable

Corporation tax payable at 1 January	4,1	0,0	0,0	0,0
Tax payable from acquired subsidiaries	0,0	4,7	0,0	0,0
Tax on taxable income for the year, including jointly taxed subsidiaries	11,6	9,3	0,0	0,0
Prioi year adjustment	(0,4)	0,0	0,0	0,0
Corporation tax paid during the year	(13,4)	(9,9)	0,0	0,0
Corporation tax payable at 31 December	1,9	4,1	0,0	0,0

17 Other payables

A reclassification of 24,2 million DKK from trade payables has been made in the consolidated comparison figures.

18 Staff costs

	Consolidated		Parent company	
DKK millions	**2015**	**2014**	**2015**	**2014**
Wages and salaries	209,5	10,6	0,0	0,0
Pensions	14,0	0,2	0,0	0,0
Other social security costs	18,2	0,2	0,0	0,0
	241,7	11,0	0,0	0,0
Average number of full-time employees	442	436	—	—

Remuneration of the parent company Executive Board and Board of Directors amounts to 0.0 million DKK.

19 Contractual obligations and contingencies, etc.

Contingent liabilities

P-LP 2014 A/S is jointly taxed with the other Danish subsidiaries. Together with the subsidiary, P-LP 2014 A/S has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2015, the net taxes payable to SKAT by the companies included in the joint taxation will be no higher than 1 million DKK. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group is not liable to others.

At 31 December the Group has work guarantees amounting to 5.1 million DKK.

Operating lease obligations

The Group's companies have entered into operating leases. The remaining total nominal residual lease payment amounts to 100.2 million DKK.

20 Collaterals

	Consolidated		Parent company	
DKK'OOO	**2015**	**2014**	**2015**	**2014**
The following assets are provided as collateral for the subsidiary's company's bank loans:				
Share capital of Louis Poulsen Holding A/S, 50.0 million DKK, with a carrying amount of *(consolidated = net)*	170,0	157,7	170,0	157,7

21 Related party disclosures

P-LP 2014 A/S' related parties comprise the following:

Parties exercising control

Polaris Private Equity III K/S, Gorrissen Federspiel, H.C. Andersens Boulevard 12, 1553 Copenhagen V, Denmark.

Independent auditors' report

To the shareholders of P-LP 2014 A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of P-LP 2014 A/S for the financial year 1 January—31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January—31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Esbjerg, 11 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

John Lesbo
State Authorised
Public Accountant

Morten Østergaard Koch
State Authorised
Public Accountant

B&B ITALIA GROUP

Interim consolidated financial statements as at and for the six months ended 30 June 2018

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Consolidated balance sheet				
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED				
B) FIXED ASSETS, with separate mention of those held under finance lease	**285,338**	**293,179**	**300,619**	**-7,841**
I. INTANGIBLE FIXED ASSETS	242,501	249,366	255,922	-6,865
1. Start-up and capital costs			1	
2. Research costs				
3. Industrial patents and intellectual property rights	944	999	1,511	-55
4. Concessions, licences, trademarks and similar rights	81,621	83,481	85,836	-1,860
5. Goodwill	150,416	154,797	159,307	-4,381
6. Assets under development and payments on account	16	916	147	-900
7. Other	9,504	9,173	9,120	331
II. TANGIBLE FIXED ASSETS	41,373	42,353	43,517	-980
1. Land and buildings	36,733	37,453	37,716	-720
2. Plant and machinery	2,802	2,897	4,009	-95
3. Industrial and commercial equipment	772	867	700	-95
4. Other assets	872	1,121	968	-249
5. Assets under construction and payments on account	194	15	124	179
III. FINANCIAL FIXED ASSETS	1,464	1,460	1,180	4
1. Equity investments				
a) subsidiaries				
b) associates				
c) parents				
d) subsidiaries of parents				
d-bis) other companies				
2. Financial receivables	1,464	1,460	1,180	4
b) from associates	296	296	—	—
* due within one year	296	296	—	—
d-bis) from others	1,168	1,164	1,180	4
* due after one year	1,168	1,164	1,180	4
3. Other securities				
4. Derivatives				
C) CURRENT ASSETS	**144,827**	**124,014**	**113,293**	**20,813**
I. INVENTORY	55,817	50,884	44,776	4,933
1. Raw materials, consumables and supplies	19,068	18,729	17,760	339
2. Work in progress and semi-finished products	4,767	4,301	4,416	466
3. Contract work in progress	21,728	20,787	13,319	941
4. Finished goods	9,363	6,362	8,335	3,001
5. Payments on account	891	705	946	186
II. RECEIVABLES	36,493	37,175	33,631	-682
1. Trade receivables	27,189	27,887	24,155	-698
* due within one year	27,189	27,887	24,155	-698
* due after one year				
2. From subsidiaries				
* due within one year				
* due after one year				
3. From associates	425	28	127	397
* due within one year	425	28	127	397
* due after one year				
4. From parents				
* due within one year				
* due after one year				
5. From subsidiaries of parents				
5-bis. Tax receivables	2,414	2,434	2,563	-20
* due within one year	1,337	1,357	1,486	-20
* due after one year	1,077	1,077	1,077	
5-ter. Deferred tax assets	5,570	5,739	6,390	-169
* due within one year	5,570	5,739	6,390	-169
* due after one year				
5-quarter. From others	895	1,087	396	-192
* due within one year	895	1,087	396	-192
* due after one year				
III. CURRENT FINANCIAL ASSETS				
1. Investments in subsidiaries				
2 . Investments in associates				
3 . Investments in parents				
3-bis. Investments in subsidiaries of parents				
4. Derivatives				
6. Other securities				
IV. LIQUID FUNDS	48,517	31,955	30,886	16,562
1. Bank and postal accounts	48,474	31,891	30,853	16,583
2. Cheques on hand	14	16	5	-2
3. Cash-in-hand and cash equivalents	29	48	28	-19
4. Revenue stamps				
V. ASSETS HELD FOR SALE	4,000	4,000	4,000	
D) PREPAYMENTS AND ACCRUED INCOME	**2,584**	**2,031**	**2,630**	**554**
1. Accrued income	**28**	**39**	**30**	**-11**
2 . Prepayments	**2,556**	**1,992**	**2,600**	**565**
TOTAL ASSETS	**432,749**	**419,224**	**416,542**	**13,526**

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
A) NET EQUITY	**193,720**	**189,897**	**185,400**	**3,823**
I. SHARE CAPITAL	1,000	1,000	1,000	—
II. SHARE PREMIUM RESERVE	179,000	179,000	179,000	—
III. REVALUATION RESERVE				—
IV. LEGAL RESERVE	200	200	200	—
V. RESERVE FOR OWN SHARES IN PORTFOLIO				
VI. OTHER RESERVES OTHERWISE INDICATED	-2,104	-2,332	-2,093	228
VII. HEDGING RESERVE	-1,518	-1,273	-1,265	-245
VIII. RETAINED EARNINGS	11,708	2,710	2,910	8,998
IX. NET PROFIT FOR THE PERIOD/YEAR	4,384	8,998	4,081	-4,614
TOTAL NET EQUITY PERTAINING TO THE GROUP	**192,670**	**188,303**	**183,833**	**4,367**
SHARE CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	1,594	1,785	1,785	-191
NET PROFIT FOR THE PERIOD/YEAR PERTAINING TO MINORITY INTERESTS	-544	-191	-218	-353
TOTAL NET EQUITY PERTAINING TO MINORITY INTERESTS	1,050	1,594	1,567	-544
B) PROVISIONS FOR RISKS AND CHARGES	**31,774**	**32,248**	**32,311**	**-474**
1. Pension and similar provisions	1,795	1,698	1,680	97
2. Tax provision, including deferred tax liabilities	26,067	26,730	27,386	-663
3. Derivatives	1,998	1,675	1,665	323
4. Other provisions	1,914	2,145	1,580	-231
C) EMPLOYEES' LEAVING ENTITLEMENT	**3,506**	**3,636**	**3,897**	**-130**
D) PAYABLES	**202,192**	**191,866**	**192,919**	**10,326**
1. Bonds				
* due within one year				
* due after one year				
3. Shareholder loans				
* due within one year				
* due after one year				
4. Bank loans and borrowings	111,830	109,703	108,956	2,127
* due within one year	5,980	3,664	2,743	2,316
* due after one year	105,850	106,039	106,213	-189
5. Loans and borrowings from other financial backers	103	133	162	-30
* due within one year	103	133	59	-30
* due after one year	—	—	103	—
6. Payments on account	37,687	33,655	32,184	4,032
* due within one year	37,687	33,655	32,184	4,032
* due after one year				
7. Trade payables	39,643	39,479	41,321	164
* due within one year	39,643	39,479	41,321	164
* due after one year				
9. Payables to subsidiaries	—	—	—	—
* due within one year	—	—	—	—
* due after one year	—	—	—	—
10. Payables to associates	—	30	—	-30
* due within one year	—	30	—	-30
* due after one year				
12. Tax payables	6,689	2,775	3,763	3,914
* due within one year	6,689	2,775	3,763	3,914
* due after one year				
13. Social security charges payable	2,421	2,400	2,416	21
* due within one year	2,421	2,400	2,416	21
* due after one year				
14. Other payables	3,819	3,691	4,117	128
* due within one year	3,819	3,691	4,117	128
* due after one year				
E) ACCRUED EXPENSES AND DEFERRED INCOME	**1,557**	**1,577**	**2,015**	**-19**
1. Accrued expenses	717	705	769	12
2. Deferred income	840	872	1,246	-31
TOTAL LIABILITIES	**432,749**	**419,224**	**416,542**	**13,526**

Profit and loss account €'000	H1 2018 2018 (6 months)	H1 2017 2017 (6 months)	2017 (12 months)	Change H1 2018 – H1 2017
A) PRODUCTION REVENUES	**106,803**	**107,969**	**212,253**	**-1,166**
1. Turnover from sales and services	101,198	101,995	200,795	-797
2. Change in work in progress, semi-finished products and finished goods	3,667	3,160	2,111	507
3. Change in contract work in progress	920	1,849	7,016	-929
4. Internal work capitalised				
5. Other revenues and income	1,018	965	2,331	53
B) PRODUCTION COST	**-97,911**	**-99,346**	**-191,332**	**1,435**
6. Raw materials, consumables, supplies and goods	-35,310	-35,220	-68,865	-90
7. Services	-29,800	-29,777	-56,501	-23
8. Use of third party assets	-4,224	-4,066	-8,307	-158
9. Personnel expenses	-18,355	-18,329	-35,389	-26
a) wages and salaries	-13,123	-13,236	-25,470	113
b) social security contributions	-4,111	-4,047	-7,795	-64
c) employees' leaving entitlement	-767	-773	-1,542	6
d) pension and similar costs	—			
e) other costs	-354	-273	-582	-81
10. Amortisation, depreciation and write-downs	-9,835	-10,271	-20,881	436
a) amortisation of intangible fixed assets	-7,913	-8,011	-16,602	98
b) depreciation of tangible fixed assets	-1,834	-2,096	-3,819	262
c) other write-downs of fixed assets d) write-downs of current receivables and liquid funds	-88	-164	-460	76
11. Change in raw materials, consumables, supplies and goods	339	-833	235	1,172
12. Provisions for risks	-50	-40	-125	-10
13. Other provisions				
14. Other operating costs	-676	-810	-1,499	134
Operating profit	**8,892**	**8,623**	**20,921**	**269**
C) NET FINANCIAL EXPENSE	**-2,314**	**-3,494**	**-6,688**	**1,180**
15. Income from investments				
15.1 in subsidiaries				
15.2 in associates				
15.3 in other companies				
15.4 in parents and subsidiaries of parents				
16. Other financial income:	67	25	78	42
a) from financial receivables classified as fixed assets	—	—	—	—
b) from securities classified as fixed assets which are not equity investments	—	—	—	—
c) from securities classified as current assets which are not equity investments	—	—	—	—
d) other income	67	25	78	42
17. Interest and other financial charges	-2,381	-3,519	-6,766	1,138
17.4 Other	-2,866	-3,021	-5,867	155
17-bis. Exchange rate gains (losses)	485	-498	-899	983
D) ADJUSTMENTS TO FINANCIAL ASSETS	**259**	**-5**	**-145**	**264**
18. Write-backs	259	—	—	259
a) equity investments	259	—	—	259
19. Write-downs		-5	-145	5
a) equity investments		-5	-145	5
PRE-TAX PROFIT	**6,837**	**5,124**	**14,088**	**1,713**
22. Income taxes	-2,996	-1,261	-5,281	-1,735
Current taxes	-4,208	-2,060	-6,958	-2,148
Deferred taxes	1,212	799	1,677	413
NET PROFIT FOR THE PERIOD/YEAR	**3,840**	**3,863**	**8,807**	**-22**
NET PROFIT FOR THE PERIOD/YEAR PERTAINING TO MINORITY INTERESTS	544	218	191	326
23. NET PROFIT FOR THE PERIOD/YEAR PERTAINING TO THE GROUP	**4,384**	**4,081**	**8,998**	**304**

Changes in net equity pertaining to the group for the period ended 30 June 2018

€'000	Share capital	Share capital injections	Share premium reserve	Legal reserve	Translation reserve
Net equity pertaining to the group at 31/12/2016	**1,000**	**—**	**179,000**		**1,34**
Allocation of 2016 net profit				200	
Other changes and increases					
Change in translation reserve					(94
Net profit for the year					
Redistribution of shares between group/minority interests					
Net equity pertaining to the group at 31/12/2017	**1,000**	**—**	**179,000**	**200**	**39**
Allocation of 2017 net profit					
Other changes and increases					
Change in translation reserve					22
Net profit for the period pertaining to the group					
Net equity pertaining to the group at 30/06/2018	**1,000**	**—**	**179,000**	**200**	**62**

Changes in net equity pertaining to minority interests for the period ended 30 June 2018

€'000	Share capital	Share capital injections	Share premium reserve	Legal reserve	Translat reserv
Net equity pertaining to minority interests at 31/12/2016	**—**	**—**	**—**	**—**	
Redistribution of shares between group/minority interests					
Net equity pertaining to minority interests at 31/12/2017	**—**	**—**	**—**	**—**	
Allocation of 2017 net profit					
Net profit for the period pertaining to minority interests					
Net equity pertaining to minority interests at 30/06/2018	**—**	**—**	**—**	**—**	

CASH FLOW STATEMENT SHOWING CHANGES IN LIQUID FUNDS FOR THE SIX MONTHS ENDED 30 JUNE 2018, THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND THE SIX MONTHS ENDED 30 JUNE 2017

Amounts in thousands of Euros	H1 2018	2017	H1 2017
Cash flow statement			
A. Cash flows from operating activities (indirect method)			
Net profit for the period/year	3,840	8,807	3,863
Income taxes	4,208	6,958	2,060
Net interest income	2,799	5,789	2,996
1. Profit for the period/year before income taxes, interest, dividends and gains/losses on the sale of assets	**10,847**	**21,554**	**8,919**
Adjustments for non-monetary items that do not affect net working capital:			
Amortisation of intangible fixed assets	7,913	16,602	8,011
Depreciation of tangible fixed assets	1,834	3,819	2,096
Accruals to provisions	1,237	1,821	895
Accruals to provisions for write-downs of equity investments	0	545	0
2. Cash flows before changes in net working capital	**10,984**	**22,787**	**11,002**
Increase in inventory	(4,933)	(9,202)	(3,094)
Decrease in trade receivables and receivables from group companies	301	1,444	5,077
Decrease (increase) in tax receivables—excluding direct taxes—	(120)	2,868	3,386
Decrease (increase) in receivables from others	192	(278)	413
Decrease (increase) in prepayments and accrued income	(785)	239	(360)
Increase in trade payables and payables to group companies	134	773	2,585
Increase in payments on account from customers	4,032	6,483	5,012
Increase in tax payables—excluding direct taxes	16	120	633
Increase in social security charges payable	21	156	172
Increase (decrease) in other payables	128	(3,594)	(3,168)
Decrease in accrued expenses and deferred income	(20)	(639)	(396)
3. Cash flows after changes in net working capital	**(1,034)**	**(1,630)**	**10,260**
Other adjustments			
Interest collected/paid	(2,568)	(5,789)	(2,801)
Income taxes paid	0	(4,978)	(967)
Utilisation of provisions	(1,841)	(4,431)	(2,637)
4. Cash flows after other adjustments	**(4,409)**	**(15,198)**	**(6,405)**
Cash flows from operating activities (A)	**16,388**	**27,513**	**23,776**
B. Cash flows from investing activities			
Tangible fixed assets			
Investments	(880)	(2,364)	(1,062)
Decreases	26	97	144
Intangible fixed assets			
Investments	(976)	(1,821)	(403)
Financial fixed assets			
Investments	(4)	(278)	2
Other changes due to translation of foreign currency items	(72)	417	244
Cash flows used in investing activities (B)	**(1,906)**	**(3,949)**	**(1,075)**
Third party funds			
Increase (decrease) in short-term bank loans and borrowings	2,127	(17,855)	(18,602)
Increase (decrease) in short-term loans and borrowings from other financial backers	(30)	133	162
Repayment of loans	0	0	0
Own funds	0	0	0
Other changes in net equity	(17)	(434)	78
Cash flows from (used in) financing activities (C)	**2,080**	**(18,156)**	**(18,362)**
Change in the consolidation scope			
Increase in liquid funds (A+B+C)	**16,562**	**5,408**	**4,339**
OPENING LIQUID FUNDS	**31,955**	**26,547**	**26,547**
CLOSING LIQUID FUNDS	**48,517**	**31,955**	**30,886**
NET INCREASE IN LIQUID FUNDS	**16,562**	**5,408**	**4,339**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

These interim consolidated financial statements present the B&B Italia Group's financial position as at 30 June 2018 and its results of operations and cash flows for the six months then ended.

Format and content of the interim consolidated financial statements

The Group is a leading manufacturer and distributor of designer furniture in Italy and abroad, and is a contract supplier.

The interim consolidated financial statements as at and for the period ended 30 June 2018 have been prepared in accordance with the provisions of the Italian Civil Code and comprise the balance sheet (prepared in accordance with the layout provided for by articles 2424 and 2424-bis of the Italian Civil Code), the profit and loss account (prepared in accordance with the layout provided by articles 2425 and 2425-bis of the Italian Civil Code), the cash flow statement (prepared in accordance with the layout provided for by OIC 10 and article 2425-ter of the Italian Civil Code) and these notes, which provide the disclosures required by article 2427 of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter (OIC). Specifically, the interim consolidated financial statements have been prepared with reference to the guidance contained in OIC 30.

These interim consolidated financial statements incorporate the changes introduced by Legislative decree no. 139/2015 applicable for annual reporting periods beginning on or after 1 January 2016 and the resulting amendments to the OIC.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the period and has been prepared under the indirect method, using the layout provided for by OIC 10.

The subgroups (indicated by Roman numerals), the captions (indicated with Arabic numerals) and the subcaptions (indicated with lower-case letters) showing a nil balance for both years were not included in the balance sheet and profit and loss account.

The interim consolidated financial statements as at and for the period ended 30 June 2018 are presented with comparative prior year figures from the interim consolidated financial statements as at and for the period ended 30 June 2017 and the consolidated financial statements as at and for the year ended 31 December 2017. Furthermore, in order to make a consistent comparison with the figures for the first half of 2018, where necessary and for the purposes of clarity, the previous period's and year's balance sheet and profit and loss account captions have also been reclassified.

Amounts are expressed in thousands of Euros, except as otherwise specified.

Consolidation scope

The interim consolidated financial statements of the Group include the financial statements of the parent, B&B Italia S.p.A. and the subsidiaries B&B Italia USA Inc., B&B Italia London Ltd, B&B Italia München GmbH, B&B Italia Asia Pacific Limited, B&B Italia Contract France Sas and B&B Italia Contract Project S.r.l., as well as B&B Italia Paris Sarl, Arclinea S.p.A. and B&B Furniture (Shanghai) Co., Ltd as of 30 June 2018.

The change in the consolidation scope during the first half of 2018 relates to the consolidation of the subsidiary B&B Furniture (Shanghai) Co. Ltd., set up during the first half of 2018 to expand our presence on the Chinese market.

There have been no other changes since 30 June 2017.

Minority interests, other non-significant investments in investees with a business object differing from that of the Group and the equity investments held to be non-strategic and of a short-term nature are excluded from the consolidation scope.

A list of the companies consolidated on a line-by-line basis is given below:

NAME €'000	REGISTERED OFFICE	SHARE CAPITAL	% OF OWNERSHIP
Parent			
B&B Italia S.p.A.	Milan	€ 1,000	
Subsidiary			
B&B Italia USA Inc.	New York	USD 10	*100%*
B&B Italia München GmbH	Munich	€ 150	*100%*
B&B London Ltd	London	GBP 500	*100%*
B&B Italia Asia Pacific Limited	Hong Kong	HKD 1	*100%*
B&B Italia Contract France Sas	Paris	€ 30	*100%*
B&B Italy Contract Project S.r.l.	Milan	€ 10	*100%*
B&B Italia Paris Sarl	Paris	€ 50	*100%*
Arclinea S.p.A.	Milan	€ 240	*70%*
B&B Furniture (Shanghai) Co., Ltd	Shanghai	CNY 1,000*	*100%*

* Subscribed share capital, of which CNY460 is paid up

Basis of consolidation and accounting policies

Basis of consolidation

Consolidated balance sheet figures, as well as consolidated income and expenses, reflect the amounts stated in the interim financial statements of the consolidated companies and are adjusted, where necessary, to align them with the following consolidation criteria.

The assets and liabilities of consolidated companies are recognised on a line-by-line basis, eliminating the carrying amount of consolidated equity investments against the related portion of net equity. Under the line-by-line consolidation method, the carrying amount of equity investments is eliminated against the related net equity of subsidiaries. Any residual amount, if negative, is recognised in a consolidation reserve. If positive, it is recognised under goodwill arising on consolidation and amortised proportionately to the expected related profitability of each company.

If such difference does not correspond to an actual greater value of the investee and is due to losses carried forward by the company, it is deducted from "Other reserves" in consolidated net equity.

With respect to the elimination of consolidated equity investments, where possible, the portion of net equity pertaining to minority interests is stated under the balance sheet caption "Share capital and reserves of minority interests".

The portion of net profit/(loss) for the period pertaining to minority interests is also shown under "Net profit/(loss) for the period pertaining to minority interests".

Receivables and payables, income and expenses arising from transactions among consolidated companies are eliminated.

Where possible, the closing inventory balance is net of profits from the sale of Group goods still held by consolidated companies at period end.

Gains or losses arising on the sale of operating assets among consolidated companies are eliminated.

Intragroup transactions are written off, eliminating the related benefits.

Dividends received from investees, recognised in the profit and loss account of the parent, are eliminated upon consolidation together with the related tax benefits.

The balance sheet captions of the foreign investees prepared in foreign currency are translated into Euros using the exchange rate ruling on 30 June 2018. For profit and loss account captions, the average exchange rate of the period is applied. In particular:

				Average		
EXCHANGE RATES	30/06/2018	31/12/2017	30/06/2017	H1 2018	2017	H1 2017
USD	*1.17*	*1.20*	*1.14*	*1.21*	*1.13*	*1.08*
GBP	*0.89*	*0.88*	*0.88*	*0.88*	*0.89*	*0.86*
HKD	*9.15*	9.37	8.91	*9.49*	*8.80*	*8.42*
CNY	7.71	7.80	7.73	*7.72*	*7.8*	*7.65*

The balance sheet captions in the interim consolidated financial statements were translated into Euros using the exchange rate ruling on 30 June 2017 and 2018. For profit and loss account captions, the average exchange rate of the period was applied.

Translation differences are recognised in the specific net equity reserve "Translation reserve".

Deferred taxes are recognised on consolidation adjustments.

Basis of preparation

The interim consolidated financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC.

Under the prudence principle, the Group measures the individual assets and liabilities separately, in order to avoid offsetting losses that should be recognised against unrealised profits that should not be recognised. Specifically, the Group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

In accordance with accruals-based accounting, the Group recognises the effects of transactions in the period to which the transaction relates rather than that in which the related collections and payments occur.

The accounting policies have not changed compared to those applied in the previous reporting period for comparative purposes.

No exceptional events took place during the period, which would have led the Group to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial positions and results of operations. Moreover, the Group did not make any revaluations under specific laws.

The preparation of financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one reporting period, and also in the following years, if they affect both the current and subsequent periods.

The accounting policies adopted are set out below:

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors ("Collegio Sindacale"), where required, net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs.

Deferred charges, which include start-up and capital costs, are recognised when their income generating potential is demonstrated, the related future economic benefits flowing to the Group can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, comprising patents, intellectual property rights, concessions, licences and trademarks, are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the Group, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Goodwill is recognised as an asset only if acquired against consideration, it may be quantified and it originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered.

Leasehold improvements are recognised under other intangible fixed assets when they cannot be separated from the related assets, otherwise they are recognised under the relevant tangible fixed assets captions.

Payments on account to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs.

Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation begins when the asset is available for use. The amortisation pattern depends on how the expected benefits are expected to flow to the Group.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- Start-up and capital costs are amortised over five years.
- Patents, intellectual property rights, concessions, licences and trademarks, are amortised over the shorter of the legal or contractual term and their expected useful life (ten years), while software is amortised in three to five years on the basis of its useful life. The estimated useful life of trademarks cannot exceed 20 years.
- Goodwill is amortised systematically over its useful life, i.e., the period of time within which the related economic benefits will probably arise which, in any case, cannot exceed twenty years.
- The deferred charges on the loan are amortised over the term of the loan to which they refer.
- Leasehold improvements are amortised over the shorter of their useful life and the residual lease term, considering any renewal period, if at the Group companies' option.
- Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

Goodwill and trademarks include part of the allocation of goodwill arising from Durini 14 S.p.A. (now B&B Italia S.p.A.)'s acquisition of the quota capital of Geb S.r.l. and share capital of

B&B Italia S.p.A. in 2015, as well as B&B Italia S.p.A.'s acquisition of the share capital of Arclinea S.p.A. in September 2016.

These captions are amortised over 20 years, a timeframe considered representative of the expected economic benefits. Specifically, the Group's profit-making prospects and medium-term plans allow for a 20-year financial outlook. Furthermore, the Group's business development requires a longer timeframe to bring it up to speed in terms of core business activities and the Group's market position, which would be hard to replicate in a short-term period. A further consideration is the international development led by the opening of foreign branches and the conclusion of commercial distribution agreements on various target markets, which brings greater stability to the medium-term cash flows due to the different business cycles of the various geographic segments.

The goodwill related to B&B Italia Paris Sarl is amortised over ten years.

The amortisation criteria and/or rates applied have not varied from the previous reporting period.

The parent B&B Italia S.p.A. availed of the option not to apply the amortised cost criterion, as the relevant deferred charges refer to a loan already existing at 1 January 2016.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase or production cost, include direct charges and are increased for monetary revaluations in accordance with Laws nos. 576 of 2 December 1975, 72 of 19 March 1983, 413 of 30 December 1991, 342 of 21 November 2000 and 185 of 29 November 2008. Moreover, they are adjusted to reflect accumulated depreciation and any impairment losses.

Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis over the asset's residual useful life. Depreciation begins when the asset is available for use.

Temporarily unused assets are also depreciated.

Land is not depreciated. If the carrying amount of a building also includes the underlying land, the carrying amount of the building is separated, including based on estimates, for depreciation purposes.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

Assets under finance leases are recognised in balance sheet assets if and when the purchase option is exercised. During the lease term, the lease payments are recognised in the profit and loss account as production costs on an accruals basis.

Tangible fixed assets are revalued, to the extent of their recoverable amount, only if the law requires or permits so.

The depreciation criteria applied have not varied from the previous reporting period.

The depreciation rates applied to the main groupings of assets are set out below:

Buildings	3%
Light constructions	10%
Machinery	12%
Equipment	25%
Mobile radio system	20%
Vehicles	20%
Furniture and fittings	12%
Electronic office equipment	20%

Land and buildings include part of the allocation of goodwill arising from Durini 14 S.p.A.'s acquisition of the quota capital of Geb S.r.l. and share capital of B&B Italia S.p.A. in 2015, of which €11,979,966 in Land and €207,809 in Buildings. These amounts were gross of the related deferred tax effect and were supported by an appraisal.

WRITE-DOWNS FOR IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS

Pursuant to OIC 9, if, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

Value in use is calculated on the basis of the present value of the future cash flows that the Group expects to derive from the use of the asset, based on the most recent plans approved by the board of directors. The future cash flows for the reporting periods subsequent to those covered by the plan period are calculated by projecting the plan figures.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the Group is not yet committed or improving or enhancing the asset's performance.

The discount rate applied to calculate the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or an active market, fair value is determined on the basis of the best available information such to reflect the amount the Group could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

This analysis is carried out at least once a year in order to test for impairment. It did not result in the recognition of any impairment losses in addition to ordinary depreciation.

FINANCIAL FIXED ASSETS

RECEIVABLES

Receivables are recognised under financial fixed or current assets depending on their intended use in relation to the Group's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed in the notes.

EQUITY INVESTMENTS

Investments in associates are measured using the equity method.

Investments in other companies are stated at acquisition or incorporation cost, increased for any ancillary costs and written down for impairment. The write-down is reversed when the reasons therefor cease to exist.

INVENTORY

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Production cost includes all direct costs and the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity. Production cost excludes general and administrative costs, distribution costs and research and development costs.

The Group has adopted the weighted average cost model.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

Therefore, inventory items whose estimated realisable value based on market trends is lower than their carrying amount are written down.

Should the reasons for the write-down applied as an adjustment to the realisable value based on market trends cease to exist, in whole or in part, the write-down is reversed to the extent of the originally incurred cost.

Contract work in progress, made up of Contract Division contracts, are measured on a percentage of completion basis whereby contract costs, revenues and profits or losses are recognised in line with the percentage of completion of the contract, calculated using the cost-to-cost method.

This method reflects the best estimate of work performed at the reporting date. The underlying assumptions are updated regularly. Any resulting profits or losses are recognised in the profit and loss account when the update is made.

Contract revenues include all contractual consideration, approved variations to work, price escalation clauses, claims and incentives to the extent they can be measured reliably.

Contract costs include all costs directly attributable to the contract, to the contract work in general and attributable thereto, as well as any other costs that may be specifically charged to the customers under the contract terms. They also include pre-operating costs, i.e., those costs incurred in the initial stage of the contract before the commissioned work begins, post-operating costs, i.e., those incurred after the closure of the contract, and costs for any services to be carried out after the completion of the contract.

If the Group is unable to estimate the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain and without recognising any profit.

Contract work in progress is stated net of any accumulated write-downs and/or losses to complete. Conversely, advances and payments on account are financial items that do not contribute to revenues and are always recognised as liabilities as they are not received for work that has already been carried out.

When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the probable loss to complete the contract is recognised as a decrease in contract work in progress when it is forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the excess is accrued in a provision for risks and charges.

RECEIVABLES AND PAYABLES

Receivables and payables are recognised at amortised cost, considering the time value of money and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, generally for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are not significant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the Group opted not to recognise receivables and payables arising before 1 January 2016 at amortised cost and did not discount them.

When the Group recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

Receivables or payables are initially recognised at their nominal amount, net of discounts and allowances contractually provided for or, in any case, granted. Receivables are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced

by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

Trade receivables and payables due after one year upon initial recognition that do not bear interest or bear contractual interest at rates that significantly differ from market rates are initially recognised at their present value by discounting future cash flows using market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest income over the receivable's life, using the effective interest method.

The Group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the Group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The amount of the impairment loss on receivables measured at amortised cost is the difference between their carrying amount and the estimated present value of future cash flows discounted using the receivables' original effective interest rate, net of any expected irrecoverable amounts.

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties.

There are no receivables or payables from repurchase agreements.

LIQUID FUNDS

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate.

Liquid funds in foreign currency are converted at the closing rates.

ASSETS HELD FOR SALE

Tangible fixed assets held for sale are reclassified to current assets only if they can be sold at their present conditions, their sale is highly probable and it is expected to be completed in the short term. They are not depreciated but measured at the lower of their carrying amount and estimated realisable value based on market trends.

Obsolete tangible fixed assets and, in general, those that are no longer used or can no longer be used in production permanently are not depreciated and are measured at the lower of their carrying amount and recoverable amount.

PREPAYMENTS AND ACCRUED INCOME, ACCRUED EXPENSES AND DEFERRED INCOME

Accrued income and expenses are respectively portions of income and expenses pertaining to the period but that will be collected/paid in subsequent reporting periods.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the period or in previous periods but pertaining to one or more subsequent reporting periods.

Accordingly, these captions comprise only portions of expenses and income relating to two or more reporting periods, whose amount varies on a time or economic accruals basis.

At each reporting date, the Group analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent reporting periods. Accruals to provisions for risks and charges are recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

In particular, the provision for agents' termination indemnity is calculated in accordance with the regulations set out in national labour contracts.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or internal agreements which are not required to be repaid. The related liability is the amount that the Group would have paid had all employees left at the reporting date. The amount due to employees who had already left the Group at the reporting date but that will be paid in the following year are reclassified to payables.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Collateral given is shown at the amount corresponding to the total amount guaranteed, net of payables secured by collateral.

Other off-balance sheet commitments, guarantees and contingent liabilities show the amount of the effective underlying commitment.

RECOGNITION OF REVENUES AND COSTS

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in

compliance with the accruals and prudence concepts. Revenues from the sale for the goods are recognised when the production process for the goods has been completed and the exchange has already taken place, i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out. Reference is made to the notes to inventory for long-term contracts.

FOREIGN CURRENCY TRANSACTIONS, ASSETS AND LIABILITIES

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency monetary items, including the provisions for risks and charges related to foreign currency liabilities, are translated using the closing spot rates. Any resulting gains or losses are taken to the profit and loss account.

Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the transaction-date exchange rate. Consequently, any exchange rate gains or losses are not recognised separately.

Any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the reporting period and, when the financial statements and consequent allocation of the net profit or loss for the year are approved, it is recognised in an undistributable reserve. Should the net profit for the year be lower than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the period.

If foreign currency items are designated as hedged items or hedging instruments in a hedging relationship, the Group applies the accounting treatment described in the "Derivatives" section.

DERIVATIVES

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- it requires no initial net investment or an initial net investment that is smaller than that required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Group recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value.

At each reporting date, the Group measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if their fair value is negative. Fair value is the price that would be collected for the sale

of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.

Fair value gains or losses on derivatives that do not meet the hedge accounting requirements are recognised in the specific profit and loss account captions.

A derivative qualifies for hedge accounting if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.

Therefore, if the Group uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.

The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the Group assesses whether the hedging relationship is still effective.

If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

If a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction and could affect the net profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the specific net equity reserve, whereas the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account.

The gains or losses accumulated in the net equity reserve are reclassified to the profit and loss account in the reporting period or over the periods during which the hedged future cash flows affect the net profit or loss. If a firm commitment or a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses that were recognised in the specific reserve are reclassified from net equity to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon its recognition.

When the Group discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the reserve remain in net equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur or the forecast transaction is no longer highly probable, that amount is immediately reclassified from the reserve to the profit and loss account.

Derivatives have been analysed and treated as follows:

- with respect to the interest rate swaps (IRS) agreed to hedge interest rate risks in accordance with the OIC, the Group recognised the fair value gains and losses on the effective part of the hedging instrument in the specific net equity reserve, net of the tax effect, and allocated the related effect under provisions for risks and charges;

- the disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section of these notes.

INCOME TAXES, CURRENT AND DEFERRED

Current income taxes for the reporting period are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have not been claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent reporting periods.

Deferred tax liabilities arising from taxable temporary differences relating to investments in subsidiaries and transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met. Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the reporting period in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

Deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the reporting periods in which they reverse.

Deferred tax assets not recognised or impaired in prior periods as the requirements for their recognition were not met are recognised or reinstated when the relevant requirements are met.

These notes present a schedule of the temporary differences which led to the recognition of deferred tax assets and liabilities, specifying the rate applied, changes over the previous reporting period, amounts taken to the profit and loss account or equity, captions excluded from the calculation, the amount of deferred tax assets recognised on net losses for the current or previous reporting periods and the amount of taxes not yet recognised. No provision for deferred tax liabilities on the subsidiaries' reserves taxable on distribution is accrued, as no distribution is expected.

EVENTS AFTER THE REPORTING PERIOD

Activities commenced in the second half of 2018 to renovate an Arclinea Flagship Store in Paris, scheduled for completion by the end of 2018.

Moreover, the commercial and retail facilities in the Asian and US markets are being revamped.

Management has been made aware that on August 7, 2018, certain affiliates of private-equity firm Investindustrial, including the parent company of B&B Italia S.p.A. (Brompton Design III S.à r.l.), and certain affiliates of private-equity firm Carlyle entered into an investment agreement

setting forth various steps to be taken in connection with the acquisition of, among other companies, B&B Italia S.p.A., by a newly incorporated company to be jointly indirectly controlled by Investindustrial and Carlyle. In addition, on September 11, 2018, the shareholders of B&B Italia S.p.A. entered into share purchase agreements for the sale of their respective shares to such newly incorporated company. The closing of the acquisition is subject to certain customary closing conditions and is currently expected to occur by the end of 2018 or shortly thereafter. The acquisition is part of a larger transaction whereby Carlyle and Investindustrial will put under joint control B&B Italia S.p.A. and two other groups operating in the global design industry.

NOTES TO THE MAIN ASSET CAPTIONS

B I) INTANGIBLE FIXED ASSETS

Intangible fixed assets amount to €242,501 thousand (€249,366 thousand at 31 December 2017 and €255,922 thousand at 30 June 2017) and underwent the following changes:

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Start-up and capital costs	—	—	1	—
Industrial patents and intellectual property rights	944	999	1,511	-55
Concessions, licences, trademarks and similar rights	81,621	83,481	85,836	-1,860
Goodwill	150,416	154,797	159,307	-4,381
Other	9,504	9,173	9,120	331
Assets under development	16	916	147	-900
Total	**242,501**	**249,366**	**255,922**	**-6,865**

Intangible fixed assets varied as follows during the first half of 2017:

	€'000
Increases	403
Amortisation	-8,011
Translation differences	-241
Total	**-7,849**

Intangible fixed assets varied as follows during the first half of 2018:

	€'000
Increases	976
Amortisation	-7,913
Translation differences	72
Total	**-6,865**

The main increases of the first half of 2018 related to the subsidiary Arclinea S.p.A. and mainly comprise the costs incurred to open a new flagship store in Milan with an authorised dealer.

The amounts related to the capitalisation of costs related to the integration of the parent's ERP system were recognised in industrial patents and intellectual property rights and assets under development.

In concessions, licences and trademarks at 30 June 2018, are included €81,621 thousand, net of accumulated amortisation and gross of the deferred tax effect, attributable to the parent's portion of goodwill arising from the merger and allocated to trademarks, as confirmed by an expert appraisal.

Goodwill at 30 June 2018 includes €142,633 thousand net of accumulated amortisation related to the parent's remaining goodwill arising from the previous periods merger. Furthermore, it also includes €6,639 thousand related to the acquisition of 70% of Arclinea S.p.A. that took place on September 2016. There are no impairment indicators. The remainder, equal to €1,144 thousand, relates to the 2016 acquisition of the Fonde de Commerce of the flagship store in Paris.

Other mainly includes borrowing costs on the loan of €4,192 thousand related to the parent as well as extraordinary maintenance costs related to the restructuring of the London show room.

Assets under development and payments on account decreased following the capitalisation of the advances from the subsidiary Arclinea S.p.A. for a new showroom in Milan, for a total of €859 thousand.

The Group tests goodwill for impairment on an annual basis. The test did not result in the recognition of any impairment losses in addition to ordinary amortisation at 31 December 2017.

B II) TANGIBLE FIXED ASSETS

Tangible fixed assets amount to €41,373 thousand (€42,353 thousand at 31 December 2017; €43,517 thousand at 30 June 2017) underwent the following changes:

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Land and buildings	36,733	37,453	37,716	-720
Plant and machinery	2,802	2,897	4,009	-95
Industrial and commercial equipment	772	867	700	-95
Other assets	872	1,121	968	-249
Assets under construction and payments on account	194	15	124	179
Total	**41,373**	**42,353**	**43,517**	**-980**

The change during the first half of 2017 may be analysed as follows:

	€'000
Increases	1,062
Decreases	-144
Depreciation	-2,096
Translation differences	-3
Total	**-1,181**

The change during the first half of 2018 may be analysed as follows:

	€'000
Increases	880
Decreases	-26
Depreciation	-1,834
Total	**-980**

The main increases of the first half of 2018 and 2017 relate to the acquisition of moulds acquired for manufacturing new products and of machinery and equipment by both the parent and the subsidiary Arclinea S.p.A..

Land and buildings are mortgaged to guarantee the syndicated loan at the reporting date.

In "Land and buildings" at 30 June 2018 are included €12,188 thousand related to the allocation of part of the purchase price allocation arose from the prior year merger. The amount was net of accumulated depreciation of the buildings and gross of the related deferred tax effect, and was supported by an appraisal.

B III) FINANCIAL FIXED ASSETS

Equity investments

They relate to investments in associates and can be analysed as follows:

€'000	%	31/12/2017	(Write-downs) Write-backs	30/06/2018
Equity investments:				
Associates				
B&B Italia Middle East Design and Furniture LLC	**49**	**52**	—	**52**
Provision for write-downs		**(52)**	—	**(52)**
Total		**—**	**—**	**—**
Provision for risks—associates				**—**
B&B Italia Middle East Design and Furniture LLC	**49**	**(963)**	**259**	**(704)**
Total associates		**(963)**	**259**	**(704)**

The write-down of the investment in the associate B&B Italia Middle East Design and Furniture LLC is due to its measurement using the equity method, which led to the recognition of a provision for risks under liabilities.

€'000	SHARE/QUOTA CAPITAL in foreign currency(**)		NET DEFICIT(**)	NET PROFIT FOR THE PERIOD(**)	OWNERSHIP %
Associates					
B&B Italia Middle East Design and Furniture LLC—Doha	Qar 200,000	30/06/2018	-704	300	49
Total					

** interim financial statements at 30/06/2018

Financial receivables

Financial receivables, amounting to €1,464 thousand (31 December 2017: €1,460 thousand 30 June 2017: and €1,180 thousand), refer to guarantee deposits, principally related to rental contracts, for €1,168 thousand, and, for the remainder, to financial receivables from associates for loans granted by the parent on an arm's length basis.

CURRENT ASSETS

C I) INVENTORY

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Raw materials, consumables and supplies	19,068	18,729	17,760	339
Work in progress and semi-finished products	4,767	4,301	4,416	466
Contract work in progress	21,728	20,787	13,319	941
Finished goods	9,363	6,362	8,335	3,001
Payments on account	891	705	946	186
Total	**55,817**	**50,884**	**44,776**	**4,933**

Inventory includes raw materials, semi-finished products, finished goods and payments on account. Contract work in progress at 30 June 2018 relates to the progress of the hospitality contracts.

It also includes the provision for the write-down of inventory amounting to €5,605 thousand (31 December 2017: €5,854 thousand and 30 June 2017: €5,699 thousand), of which €2,233 thousand for raw materials, €656 thousand for semi-finished products and €2,716 thousand for finished goods.

The change during the first half of 2017 may be analysed as follows:

	€'000
Provision for the write-down of inventory	
Opening balance	5,424
Decreases	-945
Increases	1,190
Translation differences	28
Closing balance	**5,669**

The change during the first half of 2018 may be analysed as follows:

	€'000
Provision for the write-down of inventory	
Opening balance	5,854
Decreases	-1,757
Increases	1,520
Translation differences	-12
Closing balance	**5,605**

C II) RECEIVABLES

Trade receivables

Trade receivables due within one year are related to:

€'000	30/06/2018	31/12/2017	30/06/2017
Customers	28,919	27,204	27,031
Bills	2,812	5,144	1,344
Gross receivables	**31,731**	**32,348**	**28,375**
Provision for bad debts	-4,542	-4,461	-4,220
Net receivables	**27,189**	**27,887**	**24,155**

The nominal amount of such receivables reflects their expected realisable value through recognition of specific provisions for bad debts.

Moreover, there is no concentration of significant receivables with one or few customers, with the exception of some Contract division customers, which traditionally account for a significant amount of receivables. There are no receivables due after five years.

The provision for bad debts mainly relates to the parent.

The provision for bad debts changed as follows during the first half of 2017:

	€'000
Opening balance	**4,316**
Increases	164
Decreases	-247
Translation differences	-13
Closing balance	**4,220**

The provision for bad debts changed as follows during the first half of 2018:

	€'000
Opening balance	4,461
Increases	88
Decreases	-7
Closing balance	**4,542**

From associates

This caption amounts to €425 thousand (31 December 2017: €28 thousand and 30 June 2017: €127 thousand) and consists of the parent's receivables from B&B Italia Middle East Design and Furniture LLC. Such receivables relate to transactions carried out on an arm's length basis.

Tax receivables

€'000	30/06/2018	31/12/2017	30/06/2017	Change
Tax receivables				
VAT receivables	702	1,333	1,254	-631
IRES receivables	15	—	—	15
IRAP receivables	—	17	—	-17
Other	620	7	232	613
Total due within one year	**1,337**	**1,357**	**1,486**	**-20**
IRES receivables claimed for reimbursement	1,077	1,077	1,077	—
Total due after one year	**1,077**	**1,077**	**1,077**	**—**

Deferred tax assets

These amount to €5,570 thousand (31 December 2017: €5,739 thousand and 30 June 2017: €6,390 thousand) and mainly consists of the following captions: amortisation of goodwill, the taxed provision for bad debts, the provision for sundry risks, the provision for the write-down of inventory, as well as the tax effects on consolidation entries and the fair value of the effective portion of hedges. Reference should be made to Annex 1 to the notes for further information on temporary differences generating deferred tax assets and liabilities.

€479 thousand relates to the deferred tax effect of the financial instruments on derivatives not attributable to the profit and loss account, but recognised in the related equity reserve.

These receivables are deemed to be recoverable based on the Group's profit forecasts for the next years.

From others

The balance of this caption can be broken down as follows:

€'000	30/06/2018	31/12/2017	30/06/2017
Due within one year			
Advances to suppliers	792	861	279
Social security institutions	15	23	
Other minor	88	203	117
Total	**895**	**1,087**	**396**

C IV) LIQUID FUNDS

This caption is made up of bank current account credit balances and cash-in-hand, broken down as follows:

€'000	30/06/2018	31/12/2017	30/06/2017
Cash-in-hand	43	64	33
Bank current accounts	48,474	31,891	30,853
Total	**48,517**	**31,955**	**30,886**

Reference should be made to the cash flow statement for changes during the year.

V) ASSETS HELD FOR SALE

Assets held for sale of €4,000 thousand comprise buildings and land and the related generic plant of the parent's Ascoli Piceno site (central Italy), currently unused.

D) PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to €2,584 thousand (31 December 2017: €2,031 thousand and 30 June 2017: €2,630 thousand) and comprise:

- accrued income totalling €28 thousand (31 December 2017: €39 thousand and 30 June 2017: €30 thousand) related to services;
- prepayments totalling €2,557 thousand (31 December 2017: €1,992 thousand and 30 June 2017: €2,600 thousand) mainly related to lease payments, maintenance and rents, as well as advanced costs relating to the subsidiaries Italia USA Inc., B&B Italia London Ltd, B&B Italia Paris Sarl and Arclinea S.p.A..

NOTES TO THE MAIN EQUITY AND LIABILITY CAPTIONS

A) NET EQUITY

A I) SHARE CAPITAL

The share capital of €1,000 thousand, entirely subscribed and paid up at year end, is divided into 8,000,000 category A shares, 1,000,000 category B shares and 1,000,000 category C shares, with no indication of the nominal amount. In particular, class A recognises particular rights for their owners (i.e. circulation of shares, appointment of the Board of Directors and Auditors, corporate governance). Other rights are recognized for class B (i.e. possibility to sell B shares, right of veto on the particular board of director's meeting, appointment of the Board of Directors and Auditors, corporate governance) and for class C (i.e. possibility to sell C shares in case of control alienation).

A II) SHARE PREMIUM RESERVE

In 2015 at the same time as the investment that took place, including Durini 14 S.p.A. (now B&B Italia S.p.A.)'s direct and indirect acquisition of the former B&B Italia S.p.A.'s entire share capital, a further increase in share capital from €50 thousand to €180,000 thousand was approved, as was a €179,950 thousand increase, to be paid in one instalment, of which €950 thousand to share capital and €179,000 thousand to the share premium reserve. In addition to the loan granted by Banca Imi S.p.A., Natixis S.A. Milan branch and Unicredit S.p.A., this transaction provided Durini 14 S.p.A. with the funds necessary to complete the transaction in accordance with the deadlines set out in the agreements signed by the company.

A IV) LEGAL RESERVE

This caption, amounting to €200,000, arises from the allocation of a portion of the 2016 net profit of the parent.

A VII) HEDGING RESERVE

At 30 June 2018, this caption shows a negative balance of €1,518 thousand, which was recognised by the parent following the application of the new accounting policies, as previously stated in the introductory paragraphs of these notes. "Fair value loss on IRS derivatives" shows fair value gains and losses on the effective portion of the hedging instrument (IRS) designed to hedge against the variability in cash flows on the loan taken out.

B) PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made up as follows:

Provisions for risks and charges €'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Pension and similar provisions	1,795	1,698	1,680	97
Deferred tax liabilities	26,067	26,730	27,386	-663
Other provisions	1,914	2,145	1,580	-231
Derivatives	1,998	1,675	1,665	323
Total	**31,774**	**32,248**	**32,311**	**-474**

Pension and similar provisions consist of the agents' termination indemnity amounting to €1,795 thousand. Based on the relevant national agency agreements, this provision covers the contractual fees of indirect sales agents of the parent and Arclinea S.p.A. for the whole reporting period.

During the period, accruals of €97 thousand were made thereto.

Deferred tax liabilities of €26,067 thousand mainly include deferred tax liabilities generated following the parent's allocation in previous years of goodwill arising from the merger to trademarks, land and buildings, as well as €24 thousand deriving from consolidation adjustments.

Other provisions, amounting to €1,914 thousand (31 December 2017: €2,145 thousand and 30 June 2017: €1,580 thousand), consist of:

- the provision for sundry risks of €1,209 thousand (31 December 2017: €1,182 and 30 June 2017: €1,156 thousand. €50 thousand was accrued to this provision in relation to pending lawsuits, while €23 thousand was used following the parent's settlement of other disputes.
- The provision for the write-down of investments in associates (for the portion exceeding net equity), equal to €704 thousand (31 December 2017: €963 thousand and 30 June 2017: €423 thousand), relates to the measurement of the equity investment in the associate B&B Italia Middle East and Furniture LLC in order to adjust it to the net equity.

Derivatives of €1,998 thousand include the fair value gain related to the effective portion of the IRSs hedging the notional amount (€90,000 thousand) of the facility B of the syndicate loan taken out by the parent. This hedge guarantees a fixed rate of 0.61% for the whole loan period (until 30 September 2022). This transaction was carried out with Banca Intesa and Unicredit for €45,000 thousand each, both under the same conditions. The balancing entry was recognised net of the tax effect in the specific net equity reserve.

The following table shows the notional amount and the market-to-market value of the derivatives. Reference should be made to the "Accounting policies" section of the notes for a breakdown of the methodology used to calculate the hedging reserve.

€'000	Notional amount 30/06/2018	MTM value at 30/06/2018	Notional amount 31/12/2017	MTM value at 31/12/2017	Notional amount 30/06/2017	MTM value at 30/06/2017
Instrument						
Interest Rate Swap	90,000	-1,998	90,000	-1,675	90,000	-1,665
Total	**90,000**	**-1,998**	**90,000**	**-1,675**	**90,000**	**-1,665**

C) EMPLOYEES' LEAVING ENTITLEMENT

Changes in this caption are as follows:

€'000	30/06/2018	31/12/2017	30/06/2017
Opening balance	3,636	4,078	4,078
Increases	767	1,542	773
Decreases	-897	-1,984	-954
Closing balance	**3,506**	**3,636**	**3,897**

The closing balance is adequate to cover the amount required by contractual obligations and relevant legislation.

D) PAYABLES

Bank loans and borrowings

This caption is made up as follows:

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Due within one year	5,980	3,664	2,743	2,316
Due after one year	105,850	106,039	106,213	-189
Total	**111,830**	**109,703**	**108,956**	**2,127**

This caption is made up of:

- instalments for the loans and borrowings provided to the parent by a bank syndicate led by Unicredit S.p.A., Banca Imi S.p.A. and Natixis S.p.A. Milan branch. In order to guarantee the loan, there is collateral on asset captions and company shares, linked to the trend of certain financial variables;
- the principal of an Intesa Sanpaolo S.p.A. loan of €96 thousand taken out by the subsidiary Arclinea S.p.A., at the three-month Euribor + 2.3%, expiring within the year;
- bank loans and borrowings due within one year of €5,884 thousand related to the subsidiary Arclinea S.p.A..

At 30 June 2018, the terms of the parent's loan were:

Tranche €'000	Rates	30/06/2018	31/12/2017	Repayment plan
Facility A	Euribor + 3.25%	15,850	15,850	Half-yearly instalments due on 31 March and 30 September
Facility B	Euribor + 4%	90,000	90,000	September 2022
Total		**105,850**	**105,850**	

The loan provides for certain financial covenants to be met. At 31 December 2017, they were fully met.

No repayment is due for the Facility A in the next twelve months as the related amounts were paid in advance in 2017.

A breakdown of the maturities is given below (in thousands of Euros)

Tranche	Payables at 31/12/17	Due after one year	Due after five years
Facility A	15,850	15,850	—
Facility B	90,000	—	90,000
Total	**105,850**	**15,850**	**90,000**

The company availed of the option not to apply the amortised cost criterion to a loan, as it was already in place at 1 January 2016.

Loans and borrowings from other financial backers

This caption amounts to €103 thousand (31 December 2017: €133 thousand and 30 June 2017: €162 thousand) and comprises the principal for lease instalments, following recognition of assets under finance lease in accordance with IFRS, divided between short and medium-term portions.

Payments on account

The €37,687 thousand balance (31 December 2017: €33,655 thousand and 30 June 2017: €32,184 thousand), mainly refers to payments on account received from customers for work in progress and contracts in the backlog at the reporting date.

The increase in mainly due to the progress of certain hospitality contract work in progress by the parent and the subsidiaries B&B Italia Contract Project S.r.l. and B&B London Ltd.

Trade payables

Trade payables due within one year amount to €39,643 thousand (31 December 2017: €39,479 thousand and 30 June 2017: €41,321 thousand).

This caption comprises payables to suppliers of goods and services and to agents and designers.

Tax payables

Tax payables within one year comprise:

in thousands of Euros	30/06/2018	31/12/2017	30/06/2017	Change
IRPEF payables on wages, salaries and self-employed fees	1,051	995	1,087	56
Indirect tax payables	315	435	1,125	-120
Direct tax payables	5,105	1,335	1,376	3,770
Other	218	10	175	208
Total due within one year	**6,689**	**2,775**	**3,763**	**3,914**

The increase in direct tax payables is mainly due to the inclusion of the 2017 balance and the 2018 tax advances paid in July 2018.

Social security charges payable

The reporting date balance of €2,421 thousand (31 December 2017: €2,400 thousand and 30 June 2017: €2,416 thousand) refers to sums payable to social security institutions at the reporting date, subsequently paid in July 2018, as provided for by current laws. Furthermore, this caption includes accruals for untaken holidays and the additional month's salaries for employees.

It also includes payables to additional and sector pension funds to be paid in July 2018 by the parent and the subsidiary Arclinea S.p.A..

Other payables

These amount to €3,819 thousand (31 December 2017: €3,691 thousand and 30 June 2017: €4,117 thousand) and are made up as follows:

€'000	30/06/2018	31/12/2017	30/06/2017	Change 30/06/2018 – 31/12/2017
Employees	3,138	2,734	3,173	404
Agents and trade associations	457	442	421	15
Sundry payables	224	515	523	-291
Total	**3,819**	**3,691**	**4,117**	**128**

D) ACCRUED EXPENSES AND DEFERRED INCOME

These were recognised in line with technical/accounting regulations and on an accruals basis; they consist of outlays pertaining to 2018 (accrued expenses) and revenue pertaining to future reporting periods (deferred income).

In particular, accrued expenses of €716 thousand (31 December 2017: €705 thousand and 30 June 2017: €769 thousand) mainly relate to loan interest and commissions to be paid by the parent for €231 thousand and to costs for services pertaining to the year to be borne by the subsidiaries B&B Italia USA Inc. and B&B London Ltd..

Deferred income of €839 thousand (31 December 2017: €872 thousand and 30 June 2017: €1,246 thousand) mainly relates to supplies and services to be provided in future reporting periods both by the parent and the subsidiary B&B USA Inc.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments and other guarantees amount to €5,374 thousand (31 December 2017: €7,588 thousand and 30 June 2017: €7,406 thousand) and are broken down as follows:

€'000	30/06/2018	31/12/2017	30/06/2017
Guarantees, sureties and endorsements			
Sureties given to third parties	4,276	6,580	6,492
Commitments			
Third party assets under rental and finance lease contracts	700	668	549
Third party assets held at Group warehouses	398	340	365
Total	**5,374**	**7,588**	**7,406**

Sureties given to third parties amount to €4,276 thousand at the reporting date and mainly refer to sureties given to customers for hospitality contracts of €1,433 thousand by the Parent.

NOTES TO THE MAIN PROFIT AND LOSS ACCOUNT CAPTIONS

A) PRODUCTION REVENUES

Turnover from sales and services

Revenues generated by the Group's core business is broken down as follows:

€'000	H1 2018	H1 2017	2017
Turnover from sales and services	101,198	101,995	200,795
Change in work in progress, semi-finished products and finished goods	3,667	3,160	2,111
Change in contract work in progress	920	1,849	7,016
Other revenues and income	1,018	965	2,331
Total	**106,803**	**107,969**	**212,253**

Sales of goods are shown net of discounts, allowances and premiums.

The increase in work in progress relates to the progress of two contracts, offset by the completion of other hospitality contracts present in the previous reporting period.

B) PRODUCTION COST

Raw materials, consumables, supplies and goods

Raw materials, consumables, supplies and goods refer to the supplies of materials and other goods purchased for operating purposes.

They are made up as follows:

Raw materials and supplies €'000	H1 2018	H1 2017	2017
Raw materials and supplies	29,297	29,244	56,645
Consumables	1,217	755	1,568
Goods	4,796	5,221	10,652
Total	**35,310**	**35,220**	**68,865**

Services

Services are analysed as follows:

Services received from third parties €'000	H1 2018	H1 2017	2017
Production services	11,726	11,911	24,528
Commercial services	14,325	13,890	24,678
Administrative services	2,818	2,939	6,081
Other services	931	1,037	1,214
Total	**29,800**	**29,777**	**56,501**

Administrative services relate to, among other things, fees paid to the corporates bodies' directors of €1,087 thousand (H1 2017: €887 thousand and 2017: €1,875 thousand) and statutory auditors of €43 thousand (H1 2017: €43 thousand and 2017: €86 thousand).

Workforce

The workforce of the Group at 30 June 2018, 31 December 2017 and 30 June 2017, broken down by category is shown in the following table:

	30/06/2018	31/12/2017	30/06/2017
Managers	27	25	26
White collars and junior management	289	286	289
Blue collars and other	302	307	306
Total	**618**	**618**	**621**

Amortisation, depreciation and write-downs

Amortisation and depreciation and write-downs for the year amount to €9,835 thousand (H1 2017: €10,271 thousand and 2017: €20,881 thousand).

Other operating costs

These are equal to €676 thousand (H1 2017: €810 thousand and 2017: €1,499 thousand) and mainly refer to deductible taxes and prior year expense, including non-recurring items related to the parent (€50 thousand).

C) FINANCIAL INCOME AND CHARGES

Other financial income

This caption amounts to €67 thousand (H1 2017: €25 thousand and 2017: €78 thousand) and is mainly made up of interest income on the parent's bank current accounts and trade receivables.

Interest and other financial charges

Interest and other financial charges of €2,866 thousand (H1 2017: €3,021 thousand and 2017: €5,867 thousand) mainly include interest expense on loans.

Exchange rate gains and losses

Net exchange rate gains amount to €485 thousand (H1 2017: net exchange rate losses of €498 thousand and 2017: net exchange rate losses of €899 thousand), reflecting the trend in exchange rates and related hedges agreed in the reporting period. They also include unrealised exchange rate gains and losses of €90 thousand and €21 thousand, respectively, on the adjustment to closing rates.

D) ADJUSTMENTS TO FINANCIAL ASSETS

Adjustments to financial assets of €259 thousand (H1 2017: €-5 thousand and 2017: €-145 thousand) relate to the write-back of investments in associates.

INCOME TAXES

They amount to €2,996 thousand and are broken down as follows:

€'000	H1 2018	H1 2017	2017	Change
Current taxes	4,208	2,060	6,958	2,148
Change in deferred tax liabilities	-643	-687	-1,331	44
Change in deferred tax assets	-569	-112	-346	-457
Total	**2,996**	**1,261**	**5,281**	**1,735**

The change in deferred tax assets in the profit and loss account does not match the change shown in the balance sheet due to the adjustments of deferred tax assets related to previous years.

NET PROFIT FOR THE PERIOD

The Group posted a net profit for the reporting period of €4,384 thousand.

On behalf of the board of directors
The Chairman

Giorgio Busnelli

Novedrate, 24 October 2018

Annex 1

Deferred tax assets and liabilities and related effects:

	30 JUNE 2018							31 DECEMBER 2017							
	Temporary differences	IRES rate	IRES taxation	Temporary differences	IRAP rate	IRAP taxation	Total taxation*	Temporary differences	IRES rate	IRES taxation	Temporary differences	IRAP rate	IRAP taxation	Total taxation*	Tem diff
Deferred tax assets															
		24.0%			3.90%				24.0%			3.90%			
Provision for bad debts	3,154		757	—			757	3,154		757	—			757	3
Provision for the write-down of inventory	4,740		1,138	—			1,138	5,026		1,206	—			1,206	5
Provisions for risks and charges	2,364		567	2,364		92	660	2,245		539	2,245		88	626	1
Amortisation of goodwill	45		11	45		2	13	34		8	34		1	9	
Agents' termination indemnity	1,242		298	1,579		62	360	1,175		282	1,488		58	340	1
Write-down of a building held for sale	2,163		519	—			519	2,163		519	—			519	2
Other taxable items	2,499		600	—			600	2,647		635	—			635	2
Derivatives	1,997		479	—			479	1,675		402	—			402	1
Deferred tax assets of subsidiaries							790							1,244	
Deferred tax assets resulting from consolidation entries							256								
	18,204		**4,369**	**3,988**		**156**	**5,570**	**18,119**		**4,349**	**3,767**		**147**	**5,739**	**17**
Deferred tax liabilities															
Gains on the sale of fixed assets		24.0%			3.90%				24.0%			3.90%			
Amortisation and depreciation resulting from the merger (land, buildings and trademark	93,227		22,374	93,227		3,636	26,010	95,586		22,941	95,586		3,728	26,668	97
Period/year-end translation adjustments	137		33	—		—	33	117		28	—		—	28	
Leased assets as per IAS 17							24							34	
	93,364		**22,407**	**93,227**		**3,636**	**26,067**	**95,703**		**22,969**	**95,586**		**3,728**	**26,731**	**97**

* Including €479 thousand of deferred tax assets not shown in the profit and loss account but recognised in the equity reserve "Hedging reserve".

B&B ITALIA GROUP

Consolidated financial statements as at and for the year ended 31 December 2017

€'000	31/12/2017	31/12/2016	Change
Consolidated balance sheet			
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
B) FIXED ASSETS, with separate mention of those held under finance lease	**293,179**	**309,651**	**-16,472**
I. INTANGIBLE FIXED ASSETS	249,366	264,547	-15,181
1. Start-up and capital costs		1	-1
2. Research costs			
3. Industrial patents and intellectual property rights	999	1,990	-991
4. Concessions, licences, trademarks and similar rights	83,481	88,193	-4,712
5. Goodwill	154,797	162,660	-7,863
6. Assets under development and payments on account	916	147	769
7. Other	9,173	11,556	-2,383
II. TANGIBLE FIXED ASSETS	42,353	43,922	-1,569
1. Land and buildings	37,453	38,640	-1,187
2. Plant and machinery	2,897	3,511	-614
3. Industrial and commercial equipment	867	885	-18
4. Other assets	1,121	778	343
5. Assets under construction and payments on account	15	108	-93
III. FINANCIAL FIXED ASSETS	1,460	1,182	278
1. Equity investments		3	-3
a) subsidiaries			
b) associates			
c) parents			
d) subsidiaries of parents			
d -bis) other companies		3	-3
2. Financial receivables	1,460	1,179	281
b) from associates	296		296
* due within one year	296		296
d-bis) from others	1,164	1,179	-15
* due after one year	1,164	1,179	-15
3. Other securities			
4. Derivatives			
C) CURRENT ASSETS	**124,014**	**114,736**	**9,278**
I. INVENTORY	50,884	41,682	9,202
1. Raw materials, consumables and supplies	18,729	18,594	135
2. Work in progress and semi-finished products	4,301	4,469	-168
3. Contract work in progress	20,787	11,470	9,317
4. Finished goods	6,362	6,824	-462
5. Payments on account	705	325	380
II. RECEIVABLES	37,175	42,507	-5,332
1. Trade receivables	27,887	29,234	-1,347
* due within one year	27,887	29,234	-1,347
* due after one year			
2. From subsidiaries			
* due within one year			
* due after one year			
3. From associates	28	125	-97
* due within one year	28	125	-97
* due after one year			

€'000	31/12/2017	31/12/2016	Change
4. From parents			
* due within one year			
* due after one year			
5. From subsidiaries of parents			
5-bis. Tax receivables	2,434	5,735	-3,301
* due within one year	1,357	4,658	-3,301
* due after one year	1,077	1,077	
5-ter. Deferred tax assets	5,739	6,604	-865
* due within one year	5,739	6,604	-865
* due after one year			
5-quarter. From others	1,087	809	278
* due within one year	1,087	809	278
* due after one year			
III. CURRENT FINANCIAL ASSETS			
1. Investments in subsidiaries			
2. Investments in associates			
3. Investments in parents			
3-bis. Investments in subsidiaries of parents			
4. Derivatives			
6. Other securities			
IV. LIQUID FUNDS	31,955	26,547	5,408
1. Bank and postal accounts	31,891	26,521	5,370
2. Cheques on hand	16		16
3. Cash-in-hand and cash equivalents	48	26	22
4. Revenue stamps			
V. ASSETS HELD FOR SALE	4,000	4,000	
D) PREPAYMENTS AND ACCRUED INCOME	**2,031**	**2,270**	**-239**
1. Accrued income	**39**	**254**	**-215**
2. Prepayments	**1,992**	**2,016**	**-24**
TOTAL ASSETS	**419,224**	**426,657**	**-7,433**

€'000	31/12/2017	31/12/2016	Change
A) NET EQUITY	**189,897**	**181,459**	**8,438**
I. SHARE CAPITAL	1,000	1,000	
II. SHARE PREMIUM RESERVE	179,000	179,000	
III. REVALUATION RESERVE			
IV. LEGAL RESERVE	200		200
V. RESERVE FOR OWN SHARES IN PORTFOLIO			
VI. OTHER RESERVES OTHERWISE INDICATED	-2,332	493	-2,825
VII. HEDGING RESERVE	-1,273	-1,944	671
VIII. RETAINED EARNINGS (LOSSES CARRIED FORWARD)	2,710	-1,387	4,097
IX. NET PROFIT FOR THE YEAR	8,998	4,297	4,701
TOTAL NET EQUITY PERTAINING TO THE GROUP	**188,303**	**181,459**	**6,844**
SHARE CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS	1,785		1,785
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS	-191		-191
TOTAL NET EQUITY PERTAINING TO MINORITY INTERESTS	**1,594**		**1,594**
B) PROVISIONS FOR RISKS AND CHARGES	**32,248**	**33,872**	**-1,624**
1. Pension and similar provisions	1,698	1,598	100
2. Tax provision, including deferred tax liabilities	26,730	28,090	-1,360
3. Derivatives	1,675	2,558	-883
4. Other provisions	2,145	1,626	519
C) EMPLOYEES' LEAVING ENTITLEMENT	**3,636**	**4,078**	**-442**
D) PAYABLES	**191,866**	**205,032**	**-13,166**
1. Bonds			
* due within one year			
* due after one year			
3. Shareholder loans			
* due within one year			
* due after one year			
4. Bank loans and borrowings	109,703	127,558	-17,855
* due within one year	3,664	6,992	-3,328
* due after one year	106,039	120,566	-14,527
5. Loans and borrowings from other financial backers	133		133
* due within one year	133		133
* due after one year			
6. Payments on account	33,655	27,172	6,483
* due within one year	33,655	27,172	6,483
* due after one year			
7. Trade payables	39,479	38,736	743
* due within one year	39,479	38,736	743
* due after one year			
9. Payables to subsidiaries			
* due within one year			
* due after one year			
10. Payables to associates	30		30
* due within one year	30		30
* due after one year			
12. Tax payables	2,775	2,037	738
* due within one year	2,775	2,037	738
* due after one year			
13. Social security charges payable	2,400	2,244	156
* due within one year	2,400	2,244	156
* due after one year			
14. Other payables	3,691	7,285	-3,594
* due within one year	3,691	7,285	-3,594
* due after one year			
E) ACCRUED EXPENSES AND DEFERRED INCOME	**1,577**	**2,216**	**-639**
1. Accrued expenses	705	826	-121
2. Deferred income	872	1,390	-518
TOTAL LIABILITIES	**419,224**	**426,657**	**-7,433**

€'000	2017	2016	Change 2017—2016
Profit and loss account			
A) PRODUCTION REVENUES	**212,253**	**190,310**	**21,943**
1. Turnover from sales and services	200,795	183,023	17,772
2. Change in work in progress, semi-finished products and finished goods	2,111	-940	3,051
3. Change in contract work in progress	7,016	5,269	1,747
4. Internal work capitalised			
5. Other revenues and income	2,331	2,958	-627
B) PRODUCTION COST	**-191,332**	**-173,275**	**-18,057**
6. Raw materials, consumables, supplies and goods	-68,865	-64,126	-4,739
7. Services	-56,501	-51,226	-5,275
8. Use of third party assets	-8,307	-7,277	-1,030
9. Personnel expenses	-35,389	-30,927	-4,462
a) wages and salaries	-25,470	-22,522	-2,948
b) social security contributions	-7,795	-6,612	-1,183
c) employees' leaving entitlement	-1,542	-1,301	-241
d) pension and similar costs			
e) other costs	-582	-492	-90
10. Amortisation, depreciation and write-downs	-20,881	-20,600	-281
a) amortisation of intangible fixed assets	-16,602	-16,292	-310
b) depreciation of tangible fixed assets	-3,819	-3,681	-138
c) other write-downs of fixed assets			
d) write-downs of current receivables and liquid funds	-460	-627	167
11. Change in raw materials, consumables, supplies and goods	235	3,244	-3,009
12. Provisions for risks	-125	-697	572
13. Other provisions			
14. Other operating costs	-1,499	-1,666	167
Operating profit	**20,921**	**17,035**	**3,886**
C) NET FINANCIAL EXPENSE	**-6,688**	**-6,744**	**56**
15. Income from investments			
15.1 in subsidiaries			
15.2 in associates			
15.3 in other companies			
15.4 in parents and subsidiaries of parents			
16. Other financial income:	78	52	26
a) from financial receivables classified as fixed assets			
b) from securities classified as fixed assets which are not equity investments			
c) from securities classified as current assets which are not equity investments			
d) other income	78	52	26
17. Interest and other financial charges	-6,766	-6,796	30
17.4 Other	-5,867	-7,055	1,188
17-bis. Exchange rate gains (losses)	-899	259	-1,158
D) ADJUSTMENTS TO FINANCIAL ASSETS	**-145**	**-471**	**326**
18. Write-backs			
a) equity investments			
19. Write-downs	-145	-471	326
a) equity investments	-145	-471	326
PRE-TAX PROFIT	**14,088**	**9,820**	**4,268**
22. Income taxes	-5,281	-5,456	175
Current taxes	-6,958	-7,450	492
Deferred taxes	1,677	1,994	-317
NET PROFIT FOR THE YEAR	**8,807**	**4,364**	**4,443**
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS	**191**	**-67**	**258**
23. NET PROFIT FOR THE YEAR PERTAINING TO THE GROUP	**8,998**	**4,297**	**4,701**

Changes in net equity pertaining to the group for the years ended 31 December 2016 and 31

€'000	Share capital	Share capital injections	Share premium reserve	Legal reserve	Translation reserve	Hedging res
Net equity pertaining to the group at 31/12/2015	**1,000**		**179,000**		**873**	
Allocation of 2015 net loss						
Other changes and increases						-1,
Change in translation reserve					468	
Net profit for the year						
Net loss for the year pertaining to minority interests						
Net equity pertaining to the group at 31/12/2016	**1,000**	**—**	**179,000**	**—**	**1,341**	**-1,**
Allocation of 2016 net loss				200		
Other changes and increases						
Change in translation reserve					-943	
Net profit for the year						
Redistribution of shares between group/ minority interests						
Net equity pertaining to the group at 31/12/2017	**1,000**	**—**	**179,000**	**200**	**398**	**-1,**

Changes in net equity pertaining to minority interests for the year ended 31 December 2017

€'000	Share capital	Share capital injections	Share premium reserve	Legal reserve	Translation reserve	Hedging res
Net equity pertaining to minority interests at 31/12/2016	**—**	**—**	**—**	**—**	**—**	
Redistribution of shares between group/ minority interests						
Net equity pertaining to minority interests at 31/12/2017	**—**	**—**	**—**	**—**	**—**	

€'000	2017	2016
Cash flow statement		
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**8,807**	**4,297**
Income taxes	6,958	7,450
Interest income	5,789	7,003
1. Profit for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**21,554**	**18,750**
Adjustments for non-monetary items that do not affect net working capital:		
Amortisation of intangible fixed assets	16,602	16,473
Depreciation of tangible fixed assets	3,819	3,500
Accruals to provisions	1,821	4,603
Accruals to provisions for write-downs of equity investments	545	470
2. Cash flows before changes in net working capital	**22,787**	**25,046**
Increase in inventory	(9,202)	(7,276)
Decrease (increase) in trade receivables and receivables from group companies	1,444	(1,376)
Decrease (increase) in tax receivables—excluding direct taxes -	2,868	(910)
Increase in receivables from others	(278)	(273)
Decrease (increase) in prepayments and accrued income	239	50
Increase (decrease) in trade payables and payables to group companies	773	(785)
Increase in payments on account from customers	6,483	3,551
Increase in tax payables—excluding direct taxes	120	337
Increase in social security charges payable	156	27
Increase (decrease) in other payables	(3,594)	335
Decrease in accrued expenses and deferred income	(639)	(793)
3. Cash flows after changes in net working capital	**(1,630)**	**(7,113)**
Other adjustments		
Interest collected/paid	(5,789)	(7,003)
(Income taxes paid)	(4,978)	(9,599)
(Utilisation of provisions)	(4,431)	(2,883)
4. Cash flows after other adjustments	**(15,198)**	**(19,485)**
Cash flows from operating activities (A)	**27,513**	**17,198**
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(2,364)	(2,450)
Intangible fixed assets	97	0
(Investments)	(1,821)	(5,055)
Financial fixed assets	(278)	(778)
(Investments)	0	0
Other changes due to translation of foreign currency items	417	(42)
Cash flows used in investing activities (B)	**(3,949)**	**(8,325)**
Third party funds		
Decrease in short-term bank loans and borrowings	(17,855)	(408)
Increase (decrease) in short-term loans and borrowings from other financial backers	133	(11)
Repayment of loans	0	(3,034)
Own funds		
Other changes in net equity	(434)	(1,476)
Cash flows used in financing activities (C)	**(18,156)**	**(4,929)**
Change in the consolidation scope	0	(8,341)
Increase (decrease) in liquid funds (A+B+C)	**5,408**	**(4,397)**
OPENING LIQUID FUNDS	**26,547**	**30,944**
CLOSING LIQUID FUNDS	**31,955**	**26,547**
INCREASE (DECREASE) IN LIQUIDITY	**5,408**	**(4,397)**

2017 ANNUAL REPORT

NOTES

Introduction

The consolidated financial statements at 31 December 2017 have been prepared to give a true and fair view of the B&B Italia and its subsidiaries (the "Group") financial position and results of operations.

Format and content of the consolidated financial statements

The Group is a leading manufacturer and distributor, in Italy and abroad, of designer furniture and contract supplier.

The consolidated financial statements as at and for the year ended 31 December 2017 have been prepared in accordance with the provisions of the Italian Civil Code and comprise the balance sheet (prepared in accordance with the layout provided for by articles 2424 and 2424-bis of the Italian Civil Code), the profit and loss account (prepared in accordance with the layout provided by the article 2425 and 2425-bis of the Italian Civil Code), the cash flow statement (prepared in accordance with the layout provided for by OIC 10 and article 2425-ter of the Italian Civil Code) and these notes, which provide the disclosures required by article 2427 of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter (OIC).

These financial statements incorporate the changes introduced by Legislative decree no. 139/2015 applicable for annual reporting periods beginning on or after 1 January 2016 and the resulting amendments to the OIC.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

The subgroups (indicated by Roman numerals), the captions (indicated with Arabic numerals) and the subcaptions (indicated with lower-case letters) showing a nil balance for both years were not included in the balance sheet and profit and loss account.

The consolidated financial statements as at and for the year ended 31 December 2017 are presented with comparative prior year figures from the financial statements as at and for the year ended 31 December 2016. Furthermore, in order to make a consistent comparison with the figures for 2017, where necessary and for the purposes of clarity, the previous year's balance sheet and profit and loss account captions have also been reclassified.

Amounts are expressed in thousands of Euros, except as otherwise specified.

Consolidation scope

The 2017 consolidated financial statements of the Group include the financial statements of the parent, B&B Italia S.p.A. and the subsidiaries B&B Italia USA Inc., B&B Italia London Ltd, B&B Italia München GmbH, B&B Italia Asia Pacific Limited, B&B Italia Contract France Sas and B&B Italia Project Contract S.r.l., as well as B&B Italia Paris Sarl and Arclinea S.p.A.. The reporting date for all companies in the consolidation scope is 31 December.

The financial statements of all companies in the consolidation scope were approved by their respective boards of directors.

A list of the companies consolidated on a line-by-line basis is given below:

NAME	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		% OF OWNERSHIP
Parent				
B&B Italia S.p.A.	Milan	€	1,000	
Subsidiary				
B&B Italia USA Inc.	New York	USD	10	*100%*
B&B Italia München GmbH	Munich	€	150	*100%*
B&B London Ltd	London	£	500	*100%*
B&B Italia Asia Pacific Limited	Hong Kong	HKD	1	*100%*
B&B Italia Contract France Sas	Paris	€	30	*100%*
B&B Italy Contract Project S.r.l.	Milan	€	10	*100%*
B&B Italia Paris Sarl	Paris	€	50	*100%*
Arclinea S.p.A.	Milan	€	240	*70%*

No changes in the consolidation scope compared to 31 December 2016.

Minority interests, other non-significant investments in investees with a business object differing from that of the Group and the equity investments held to be non-strategic or of a short-term nature are excluded from the consolidation scope.

Consolidation criteria and accounting policies

Consolidation criteria

Consolidated balance sheet figures, as well as consolidated income and expenses, reflect the amounts stated in the financial statements of the consolidated companies adjusted, where necessary, to align them with the following consolidation criteria.

The assets and liabilities of consolidated companies are recognised on a line-by-line basis, eliminating the carrying amount of consolidated equity investments against the related portion of net equity. Under the line-by-line consolidation method, the carrying amount of equity investments is eliminated against the related net equity of subsidiaries. Any residual amount, if negative, is recognised in a consolidation reserve. If positive, it is recognised under goodwill arising on consolidation and amortised proportionately to the expected related profitability of each company.

If such difference does not correspond to an actual greater value of the investee and is due to losses carried forward by the company, it is deducted from "Other reserves" in consolidated net equity.

With respect to the elimination of consolidated equity investments, where possible, the portion of net equity pertaining to minority interests is stated under the balance sheet caption "Share capital and reserves of minority interests".

The portion of net profit/(loss) for the year pertaining to minority interests is also shown under "Net profit/(loss) for the year pertaining to minority interests".

Receivables and payables, income and expenses arising from transactions among consolidated companies are eliminated.

Where possible, the closing inventory balance is net of unrealised profits from the sale of Group goods still held by consolidated companies at year end.

Profits or losses arising on the sale of operating assets among consolidated companies are eliminated. The related depreciation plan is also restated in accordance with the original plan.

Intragroup transactions are written off, eliminating the related benefits.

Dividends received from investees, recognised in the profit and loss account of the parent, are eliminated upon consolidation together with the related tax benefits.

The balance sheet captions of the foreign investees prepared in foreign currency are translated into Euros using the exchange rate ruling on 31 December 2017. For profit and loss account captions, the average exchange rate of the year is applied. In particular:

			Average	
EXCHANGE RATES	**31/12/2017**	**31/12/2016**	**2017**	**2016**
USD	*1.2*	*1.05*	*1.13*	*1.11*
GBP	*0.88*	*0.86*	*0.89*	*0.82*
HKD	9.37	*8.18*	*8.8*	*8.6*

Translation differences are recognised in the specific net equity reserve "Translation reserve".

Deferred taxes are recognised on consolidation adjustments.

Basis of preparation

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis and considering the substance of the transaction or contract, if in compliance with the provisions of the Italian Civil Code and the OIC.

Under the prudence principle, the Group measures the individual assets and liabilities separately, in order to avoid offsetting losses that should be recognised against unrealised profits that should not be recognised. Specifically, the Group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

In accordance with accruals-based accounting, the Group recognises the effects of transactions in the year to which the transaction relates rather than that in which the associated collections and payments occur.

The accounting policies have not changed compared to those applied in the previous year for comparative purposes.

No exceptional events took place during the year, which would have led the company to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial position and results of operations. Moreover, the company did not make any revaluations under specific laws.

The preparation of financial statements requires management to make estimates that affect the carrying amounts of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

The accounting policies adopted are set out below:

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors, where required, net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs.

Deferred charges, which include start-up and capital costs are recognised when their income generating potential is demonstrated, the related future economic benefits flowing to the Group can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, comprising patents, intellectual property rights, concessions, licences and trademarks, are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Goodwill is recognised as an asset only if acquired against consideration, it may be quantified and it originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered.

Leasehold improvements are recognised under other intangible fixed assets when they cannot be separated from the related assets, otherwise they are recognised under the relevant tangible fixed assets captions.

Payments on account to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs.

Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation begins when the asset is available for use. The amortisation pattern depends on how the expected benefits are expected to flow to the Group.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- Start-up and capital costs are amortised over five years.
- Patents, intellectual property rights, concessions, licences and trademarks, are amortised over the shorter of the legal or contractual term and their expected useful life (10 years), while software is amortised in three to five years on the basis of its useful life. The estimated useful life of trademarks cannot exceed 20 years.
- Goodwill is amortised systematically over its useful life, i.e., the period of time within which the related economic benefits will probably arise which, in any case, cannot exceed twenty years.
- The deferred charges on the loan are amortised over the term of the loan to which they refer.
- Leasehold improvements are amortised over the shorter of their useful life and the residual lease term, considering any renewal period, if at the Group companies' option.
- Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

Goodwill and trademarks include part of the allocation of goodwill arising from Durini 14 S.p.A. (now B&B Italia S.p.A.)'s acquisition of the quota capital of Geb S.r.l. and share capital of B&B Italia S.p.A. in 2015, as well as B&B Italia S.p.A.'s acquisition of the share capital of Arclinea S.p.A. in September 2016.

These captions are amortised over 20 years, a timeframe considered representative of the expected economic benefits. Specifically, the Group's profit-making prospects and medium-term plans allow for a 20-year financial outlook. Furthermore, the Group's business development requires a longer timeframe to bring it up to speed in terms of core business activities and the Group's market position, which would be hard to replicate in a short-term period. A further

consideration is the international development led by the opening of foreign branches and the conclusion of commercial distribution agreements on various target markets, which brings greater stability to the medium-term cash flows due to the different business cycles of the various geographic segments.

The goodwill related to B&B Italia Paris Sarl is amortised over ten years.

The amortisation criteria and/or rates applied have not varied from the previous year.

The parent B&B Italia S.p.A. availed of the option not to apply the amortised cost criterion, as the relevant deferred charges refer to a loan already existing at 1 January 2016.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase or production cost, include direct charges and are increased for monetary revaluations in accordance with Laws nos. 576 of 2 December 1975, 72 of 19 March 1983, 413 of 30 December 1991, 342 of 21 November 2000 and 185 of 29 November 2008. Moreover, they are adjusted to reflect accumulated depreciation and any impairment losses.

Ordinary maintenance costs related to recurring maintenance and repair to keep assets in good working order and ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis over the asset's residual useful life.

Depreciation begins when the asset is available for use.

Temporarily unused assets are also depreciated.

Land is not depreciated. If the carrying amount of a building also includes the underlying land, the carrying amount of the building is separated, including based on estimates, for depreciation purposes.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life, which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

Assets under finance leases are recognised in balance sheet assets if and when the purchase option is exercised. During the lease term, the lease payments are recognised in the profit and loss account as production costs on an accruals basis.

Tangible fixed assets are revalued, to the extent of their recoverable amount, only if the law requires or permits so.

The depreciation criteria applied have not varied from the previous year.

The depreciation rates applied to the main groupings of assets are set out below:

Buildings	3%
Light constructions	10%
Machinery	12%
Equipment	25%
Mobile radio system	20%
Vehicles	20%
Furniture and fittings	12%
Electronic office equipment	20%

Land and buildings include part of the allocation of goodwill arising from Durini 14 S.p.A.'s acquisition of the quota capital of Geb S.r.l. and share capital of B&B Italia S.p.A. in 2015, of which €11,979,966 in Land and €207,809 in Buildings. These amounts were gross of the related deferred tax effect and were supported by an appraisal.

WRITE-DOWNS FOR IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS

Pursuant to OIC 9, if, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

Value in use is calculated on the basis of the present value of the future cash flows that the Group expects to derive from the use of the asset, based on the most recent plans approved by the board of directors (2018-2022). The future cash flows for the years subsequent to those covered by the plan period are calculated by projecting the plan figures.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the Group is not yet committed or improving or enhancing the asset's performance.

The discount rate applied to calculate the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or an active market, fair value is determined on the basis of the best available information such to reflect the amount the Group could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

This analysis is carried out at least once a year in order to test for impairment. It did not result in the recognition of any impairment losses in addition to ordinary depreciation.

FINANCIAL FIXED

ASSETS RECEIVABLES

Receivables are recognised under fixed or current assets depending on their intended use in relation to the Group's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed in the notes.

EQUITY INVESTMENTS

Investments in associates are measured using the equity method.

Investments in other companies are stated at acquisition or incorporation cost, increased for any ancillary costs and written down for impairment. The write-down is reversed when the reasons therefor cease to exist.

INVENTORY

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Production cost includes all direct costs and the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity. Production cost excludes general and administrative costs, distribution costs and research and development costs.

The Group has adopted the weighted average cost model for goods.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

Therefore, inventory items whose estimated realisable value based on market trends is lower than their carrying amount are written down.

Should the reasons for the write-down applied as an adjustment to the realisable value based on market trends cease to exist, in whole or in part, the write-down is reversed to the extent of the originally incurred cost.

Contract work in progress, made up of Contract division contracts, are measured on a percentage of completion basis whereby contract costs, revenues and profits or losses are recognised in line with the percentage of completion of the contract, calculated using the cost-to-cost method.

This method reflects the best estimate of work performed at the reporting date. The underlying assumptions are updated regularly. Any resulting profits or losses are recognised in the profit and loss account when the update is made.

Contract revenues include all contractual consideration, approved variations to work, price escalation clauses, claims and incentives to the extent they can be measured reliably.

Contract costs include all costs directly attributable to the contract, to the contract work in general and attributable thereto, as well as any other costs that may be specifically charged to the customers under the contract terms. They also include pre-operating costs, i.e., those costs incurred in the initial stage of the contract before the commissioned work begins, post-operating costs, i.e., those incurred after the closure of the contract, and costs for any services to be carried out after the completion of the contract.

If the Group is unable to estimate the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain and without recognising any profit.

Contract work in progress is stated net of any accumulated write-downs and/or losses to complete. Conversely, advances and payments on account are financial items that do not contribute to revenues and are always recognised as liabilities as they are not received for work that has already been carried out.

When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the probable loss to complete the contract is recognised as a decrease in contract work in progress when it can be forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the excess is accrued in a provision for risks and charges.

RECEIVABLES AND PAYABLES

Receivables and payables are recognised at amortised cost, considering the time value of money and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, generally for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are not significant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the Group opted not to recognise receivables and payables arising before 1 January 2016 at amortised cost and did not discount them.

When the Group recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

Receivables or payables are initially recognised at their nominal amount, net of discounts and allowances contractually provided for or, in any case, granted. Receivables are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

Trade receivables and payables due after one year upon initial recognition that do not bear interest or bear contractual interest at rates that significantly differ from market rates are

initially recognised at their present value by discounting future cash flows using market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as financial income over the receivable's life, using the effective interest method. The Group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the Group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The amount of the impairment loss on receivables measured at amortised cost is the difference between their carrying amount and the estimated present value of future cash flows discounted using the receivables' original effective interest rate, net of any expected irrecoverable amounts.

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties.

There are no receivables or payables from repurchase agreements.

LIQUID FUNDS

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate.

Liquid funds in foreign currency are converted at the closing rates.

ASSETS HELD FOR SALE

Tangible fixed assets held for sale are reclassified to current assets only if they can be sold at their present conditions, their sale is highly probable and it is expected to be completed in the short term. They are not depreciated but measured at the lower of their carrying amount and estimated realisable value based on market trends.

Obsolete tangible fixed assets and, in general, those that are no longer used or can no longer be used in production permanently are not depreciated and are measured at the lower of their carrying amount and recoverable amount.

PREPAYMENTS AND ACCRUED INCOME, ACCRUED EXPENSES AND DEFERRED INCOME

Accrued income and expense are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expenses and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the Group analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

In particular, the provision for agents' termination indemnity is calculated in accordance with the regulations set out in national labour contracts.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or internal agreements which are not required to be repaid. The related liability is the amount that the Group would have paid had all employees left at the reporting date. The amount due to employees who had already left the Group at the reporting date but that will be paid in the following year are reclassified to payables.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Collateral given is shown at the amount corresponding to the total amount guaranteed, net of payables secured by collateral.

Other off-balance sheet commitments, guarantees and contingent liabilities show the amount of the effective underlying commitment.

RECOGNITION OF REVENUES AND COSTS

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts. Revenues from the sale for the goods are recognised when the production process for the goods has been completed and the exchange has already taken place, i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out. Reference is made to the notes to inventory for long-term contracts.

FOREIGN CURRENCY TRANSACTIONS, ASSETS AND LIABILITIES

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency monetary items, including the provisions for risks and charges related to foreign currency liabilities, are translated using the closing spot rates. Any resulting gains or losses are taken to the profit and loss account.

Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the transaction-date exchange rate. Consequently, any exchange rate gains or losses are not recognised separately.

Any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year are approved, it is recognised in a undistributable reserve. Should the net profit for the year be lower than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the year.

If foreign currency items are designated as hedged items or hedging instruments in a hedging relationship, the Group applies the accounting treatment described in the "Derivatives" section.

DERIVATIVES

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- it requires no initial net investment or an initial net investment that is smaller than that required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Group recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value.

At each reporting date, the Group measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed assets (in the case of hedges of fixed assets or liabilities due after one year), if their fair value is positive or under provisions for risks and charges, if their fair value is negative. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures the fair value of unlisted derivatives using adequate measurement techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.

Fair value gains or losses on derivatives that do not meet the hedge accounting requirements are recognised in the specific profit and loss account captions.

A derivative qualifies for hedge accounting if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;

- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.

Therefore, if the Group uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.

The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the Group assesses whether the hedging relationship is still effective.

If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

If a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction and could affect the net profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the specific net equity reserve, whereas the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account.

The gains or losses accumulated in the net equity reserve are reclassified to the profit and loss account in the year or over the years during which the hedged future cash flows affect the net profit or loss. If a firm commitment or a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses that were recognised in the specific reserve are reclassified from net equity to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon its recognition.

When the Group discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the reserve remain in net equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur or the forecast transaction is no longer highly probable, that amount is immediately reclassified from the reserve to the profit and loss account.

Derivatives have been analysed and treated as follows:

- with respect to the interest rate swaps (IRS) agreed to hedge interest rate risks in accordance with the OIC, the Group recognised the fair value gains and losses on the effective part of the hedging instrument in the specific net equity reserve, net of the tax effect, and allocated the related effect under provisions for risks and charges;
- the disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section of these notes.

INCOME TAXES

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have been not claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax liabilities arising from taxable temporary differences relating to investments in subsidiaries and transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met. Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

These notes present a schedule of the temporary differences which led to the recognition of deferred tax assets and liabilities, specifying the rate applied, changes over the previous year, amounts taken to the profit and loss account or equity, captions excluded from the calculation, the amount of deferred tax assets recognised on net losses for the current or previous years and the amount of taxes not yet recognised. No provision for deferred tax liabilities on the subsidiaries' reserves taxable on distribution is accrued, as no distribution is expected.

POST-BALANCE SHEET EVENTS

With the appointment of a new managing director in March 2018, a new growth stage has started. Leveraging on its international experience, the Group aims to strengthen its structure and the global presence of its trademarks. There are no post-balance sheet events with an impact on the Consolidated Financial Statements ended 31 December 2017.

NOTES TO THE MAIN ASSET CAPTIONS

B I) INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets with respect to the previous year end are as follows:

€'000	31/12/2017	31/12/2016	Change
Start-up and capital costs		1	-1
Industrial patents and intellectual property rights	999	1,990	-991
Concessions, licences, trademarks and similar rights	83,481	88,193	-4,712
Goodwill	154,797	162,660	-7,863
Other	9,173	11,556	-2,383
Assets under development	916	147	769
Total	**249,366**	**264,547**	**-15,181**

The amounts related to the capitalisation of costs related to the integration/completion of the parent's ERP system were recognised in industrial patents and intellectual property rights and assets under development.

In concessions, licences and trademarks at 31 December 2017 are included €83,425 thousand, net of accumulated amortisation and gross of the deferred tax effect, attributable to the parent's portion of goodwill arising from the merger and allocated to trademarks, as confirmed by an expert appraisal prepared in the previous year.

Goodwill at 31 December 2017 includes €146,767 thousand net of accumulated amortisation related to the parent's remaining goodwill arising from the prior year merger. Furthermore, it also includes €6,818 thousand related to the acquisition of 70% of Arclinea S.p.A. that took place on September 2016. No impairment indicators. The remainder, equal to €1,212 thousand, relates to the 2016 acquisition of the Fonde de Commerce of the monobrand store in Paris.

Other mainly include borrowing costs on the loan of €4,751 thousand related to the parent as well as extraordinary maintenance costs related to the restructuring of the London show room.

Assets under development and payments on account mainly comprise advances from the subsidiary Arclinea S.p.A. for a new show room in Milan.

The Group tests goodwill for impairment on an annual basis. The test did not result in the recognition of any impairment losses in addition to ordinary amortisation.

The change was as follows:

€'000	
Increases	1,821
Amortisation	-16,602
Translation differences	-410
Reclassifications	10
Total	**-15,181**

Increases mainly relate to the parent and the subsidiaries B&B London Ltd and Arclinea S.p.A..

B II) TANGIBLE FIXED ASSETS

Tangible fixed assets underwent the following changes:

€'000	31/12/17	31/12/16	Change
Land and buildings	37,453	38,640	-1,187
Plant and machinery	2,897	3,511	-614
Industrial and commercial equipment	867	885	-18
Other assets	1,121	778	343
Assets under construction and payments on account	15	108	-93
Total	**42,353**	**43,922**	**-1,569**

In "Land and buildings" at 31 December 2017 are included €12,188 thousand related to the allocation of the goodwill arose from the prior year merger. The amount was net of accumulated depreciation of the buildings and gross of the related deferred tax effect, and was supported by an appraisal.

The changes are analysed as follows:

	€'000
Increases	2,364
Decreases	-97
Depreciation	-3,819
Translation differences	-7
Reclassifications	-10
Total	**-1,569**

The increases mainly relate to the acquisition of specific plants in the production units and to moulds acquired for manufacturing new products by both the parent and the subsidiary Arclinea S.p.A..

B III) FINANCIAL FIXED ASSETS

Equity investments

They relate to investments in associates and other companies and can be analysed as follows:

€'000	%	31/12/2016	Increases	Reclassifications	Decreases	Write-downs	31/12/2017
Equity investments:							
Associates							
B&B Italia Middle East Design and Furniture LLC	**49**	**52**					**52**
Provision for write-downs		**(52)**					**(52)**
Total		**—**					**—**
Provision for risks—associates							
B&B Italia Middle East Design and Furniture LLC	**49**		**(418)**	**(400)**		**(145)**	**(963)**
Total associates			**(418)**	**(400)**		**(145)**	**(963)**
Other							
Fontana S.r.l.	**5**	3			(3)		—
Total other		**3**			**(3)**		
Total		**3**			**(3)**		**—**

The write-down of the investment in the associate B&B Italia Middle East Design and Furniture LLC is due to its measurement using the equity method, which led to the recognition of a provision for risks under liabilities.

Arclinea S.p.A.'s investment in Fontana S.r.l., recognised under "Other", was sold in 2017. No companies or entities are owned through trustees and/or nominees.

Investments in associates:

€'000	SHARE/QUOTA CAPITAL in foreign currency		NET DEFICIT	NET LOSS FOR THE YEAR	OWNERSHIP %
Associates					
B&B Italia Middle East Design and Furniture LLC—Doha Qar	200,000	31/12/17**	-963	-213	49
Total					

** Draft financial statements at 31 December 2017

Financial receivables

Financial receivables, amounting to €1,460 thousand (€1,179 thousand at 31 December 2016), refer to guarantee deposits, principally related to rental contracts, for €1,010 thousand, and, for the remainder, to financial receivables from associates for loans granted by the parent on an arm's length basis.

CURRENT ASSETS

C I) INVENTORY

Inventory includes raw materials, semi-finished products, finished goods and payments on account.

€'000	31/12/2017	31/12/2016	Change
Raw materials, consumables and supplies	18,729	18,594	135
Work in progress and semi-finished products	4,301	4,469	-168
Contract work in progress	20,787	11,470	9,317
Finished goods	6,362	6,824	-462
Payments on account	705	325	380
Total	**50,884**	**41,682**	**9,202**

The most significant changes refer to the increase in hospitality contract work in progress at the parent and the subsidiaries B&B Italia Contract Project S.r.l. and B&B London Ltd.

At 31 December 2017, the provision for the write-down of inventory amounted to €5,854 thousand (31 December 2017: €5,548 thousand), of which €1,959 thousand for raw materials, €585 thousand for semi-finished products and €3,310 thousand for finished goods. Changes in the provision are as follows:

€'000	
Provision for the write-down of inventory	
Opening balance	**5,548**
Decreases	-1,516
Increases	1,839
Translation differences	-17
Closing balance	**5,854**

C II) RECEIVABLES

Trade receivables

Trade receivables due within one year comprise:

€'000	31/12/17	31/12/16
Customers	27,204	30,982
Bills in portfolio	5,144	2,568
Gross receivables	**32,348**	**33,550**
Provision for bad debts	-4,461	-4,316
Net receivables	**27,887**	**29,234**

The nominal amount of such receivables has been written down to their expected realisable value through recognition of a specific provision for bad debts.

There is no concentration of significant receivables with one or few customers, with the exception of some Contract division customers. which traditionally account for a significant amount of receivables.

The provision for bad debts is broken down as follows:

	€'000
Opening balance	4,316
Increases	460
Decreases	-299
Translation differences	-16
Closing balance	**4,461**

The provision was mainly used for the conclusion of some ongoing insolvency proceedings.

From associates

This caption amounts to €28 thousand (31 December 2016: €125 thousand) and consists of the parent's receivables from B&B Italia Middle East Design and Furniture LLC. Such receivables relate to transactions carried out on an arm's length basis.

Tax receivables

They comprise:

€'000	31/12/17	31/12/16	Change
Tax receivables			
VAT receivables	1,333	1,012	321
IRES receivables	—	317	-317
IRAP receivables	17	28	-11
Other	7	3,301	-3,294
Total due within one year	**1,357**	**4,658**	**-3,301**
IRES receivables claimed for reimbursement	1,077	1,077	—
Total due after one year	**1,077**	**1,077**	**—**

VAT receivables mainly relate to the different proportion of the sales of the parent and the subsidiary Arclinea S.p.A. to their purchases.

The most significant variation, equal to €3,301,546, relates to "Other", which decreased as an effect of the reimbursement of IRES and IRAP receivables paid to the parent by the tax authorities in March 2017. These amounts had been previously recognised after the provisional payment of notices of assessment for 2003-2010. In the same year, on 2017, the tax authorities also remitted these notices officially.

Tax receivables due after one year relate to receivables recognised by the parent following its claim for an IRES reimbursement given the non-deduction of IRAP (regional tax on productive activities) on personnel expenses for 2007 to 2011. The parent had filed the claim on 12 March 2013. This amount is classified as due after one year as it should be collected in future years.

Deferred tax assets

These amount to €5,739 thousand (31 December 2016: €6,604 thousand) and mainly consists of the following captions: amortisation of goodwill, the taxed provision for bad debts, the provision for sundry risks, the provision for the write-down of inventory, as well as the tax effects on consolidation entries and the fair value of the effective portion of hedges. Reference should be made to Annex 1 to the notes for further information on temporary differences generating deferred tax assets and liabilities.

The caption includes €402 thousand related to the deferred tax effect of the financial instruments on derivatives not attributable to the profit and loss account, but recognised in the related equity reserve.

These receivables are deemed to be recoverable based on the Group's profit forecasts for the next years.

From others

The balance of this caption can be broken down as follows:

€'000	31/12/2017	31/12/2016
Due within one year		
Advances to suppliers	861	604
Social security institutions	23	102
Other minor	203	103
Total	**1,087**	**809**

C IV) LIQUID FUNDS

This caption is made up of bank current account credit balances and cash-in-hand, broken down as follows:

€'000	31/12/2017	31/12/2016
Cash-in-hand	64	26
Bank current accounts	31,891	26,521
Total	**31,955**	**26,547**

Reference should be made to the cash flow statement for changes during the year.

V) ASSETS HELD FOR SALE

Assets held for sale of €4,000 thousand comprise buildings and land and the related generic plant of the parent's Ascoli Piceno site (central Italy), currently unused.

D) PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to €2,031 thousand (31 December 2016: €2,270 thousand) and mainly refer to:

- accrued income of €39 thousand (31 December 2016: €254 thousand) related to costs for services;
- prepayments totalling €1,992 thousand (31 December 2016: €2,016 thousand) mainly related to lease payments, maintenance, rents and trade shows as well as advanced costs relating to the subsidiaries Italia USA Inc., B&B Italia London Ltd, B&B Italia Paris Sarl and Arclilnea S.p.A..

NOTES TO THE MAIN EQUITY AND LIABILITY CAPTIONS

A) NET EQUITY

A I) SHARE CAPITAL

The share capital of €1,000 thousand, entirely subscribed and paid up at year end, is divided into 8,000,000 category A shares, 1,000,000 category B shares and 1,000,000 category C shares, with no indication of the nominal amount. In particular, class A recognises particular rights for their owners (i.e. circulation of shares, appointment of the Board of Directors and Auditors, corporate governance). Other rights are recognized for class B (i.e. possibility to sell B shares, right of veto on the particular board of director's meeting, appointment of the Board of Directors and Auditors, corporate governance) and for class C (i.e. possibility to sell C shares in case of control alienation).

A II) SHARE PREMIUM RESERVE

In 2015 at the same time as the investment that took place, including Durini 14 S.p.A. (now B&B Italia S.p.A.)'s direct and indirect acquisition of the former B&B Italia S.p.A.'s entire share capital, a further increase in share capital from €50 thousand to €180,000 thousand was approved, as was a €179,950 thousand increase, to be paid in one instalment, of which €950 thousand to share capital and €179,000 thousand to the share premium reserve. In addition to the loan granted by Banca Imi S.p.A., Natixis S.A. Milan branch and Unicredit S.p.A., this transaction provided Durini 14 S.p.A. with the funds necessary to complete the transaction in accordance with the deadlines set out in the agreements signed by the company. The share premium reserve had no variations in 2017.

A IV) LEGAL RESERVE

This caption, amounting to €200,000, arises from the allocation of a portion of the 2016 net profit of the parent.

A VII) HEDGING RESERVE

At 31 December 2017, this caption shows a negative balance of €1,273 thousand, which was recognised by the parent following the application of the new accounting policies, as previously stated in the introductory paragraphs of these notes. "Fair value loss on IRS derivatives" shows fair value gains and losses on the effective portion of the hedging instrument (IRS) designed to hedge against the variability in cash flows on the loan taken out in the previous year.

B) PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made up as follows:

Provisions for risks and charges €'000	31/12/17	31/12/16	Change
Pension and similar provisions	1,698	1,598	100
Deferred tax liabilities	26,731	28,090	-1,359
Other provisions	2,144	1,626	518
Derivatives	1,675	2,558	-883
Total	**32,248**	**33,872**	**-1,624**

Pension and similar provisions consist of the agents' termination indemnity amounting to €1,698 thousand. Based on the relevant national agency agreements, this provision covers the contractual fees of indirect sales agents of the parent and Arclinea S.p.A. for the whole year.

During the year, accruals of €184 thousand were made thereto, while €85 thousand was used.

Deferred tax liabilities of €26,731 thousand mainly include deferred tax liabilities generated following the parent's prior year allocation of goodwill arising from the merger to trademarks, land and buildings, as well as €34 thousand deriving from consolidation adjustments.

Other provisions, amounting to €2,144 thousand (31 December 2016: €1,626 thousand), consist of:

- the provision for sundry risks of €1,182 thousand (31 December 2016: €1,208 thousand). €125 thousand was accrued to this provision in relation to pending lawsuits, while €151 thousand was used following the settlement of others by the parent.
- The provision for the write-down of investments in associates (for the portion exceeding net equity), equal to €963 thousand, relates to the remeasurement of the investment in the associate B&B Italia Middle East and Furniture LLC in order to adjust it to the net equity.

Derivatives of €1,675 thousand include the fair value gain related to the effective portion of the IRS hedging the notional amount (€90,000 thousand) of the facility B of the syndicate loan taken out by the parent. This hedge guarantees a fixed rate of 0.61% for the whole loan period (until 30 September 2022). This transaction was carried out with Banca Intesa and Unicredit for €45,000 thousand each, both under the same conditions. The balancing entry was recognised net of the tax effect in the specific net equity reserve.

The following table shows the notional amount and the market-to-market value of the derivatives. Reference should be made to the "Accounting policies" section of the notes for a breakdown of the methodology used to calculate the hedging reserve.

€'000	Notional amount 31/12/2017	Market-to-Market value at 31/12/2017
Instruments		
Interest Rate Swap	90,000	-1,675
Total	**90,000**	**-1,675**

C) EMPLOYEES' LEAVING ENTITLEMENT

Employees' leaving entitlement has been calculated in compliance with applicable laws and contractual obligations.

The payable includes all accruals (Law no. 297/82) made for employees of the Group companies at year end.

Changes in this caption are as follows:

€'000	31/12/2017	31/12/2016
Opening balance	4,078	3,134
Increases	1,542	1,234
Decreases	-1,984	-1,463
Change in the consolidation scope	—	1,173
Closing balance	**3,636**	**4,078**

The closing balance is adequate to cover the amount required by contractual obligations and relevant legislation.

D) PAYABLES

Bank loans and borrowings

This caption is made up as follows:

€'000	31/12/2017	31/12/2016	Change
Due within one year	3,664	6,992	-3,328
Due after one year	106,039	120,566	-14,527
Total	**109,703**	**127,558**	**-17,855**

This caption is made up of:

- instalments for the loans and borrowings provided to the parent by a bank syndicate led by Unicredit S.p.A., Banca Ima S.p.A. and Natixis S.p.A. Milan branch. In order to guarantee the loan, there is collateral on asset captions and company shares, linked to the trend of certain financial variables;
- the principal of an Intesa Sanpaolo S.p.A. loan of €189 thousand taken out by the subsidiary Arclinea S.p.A., at the three-month Euribor + 2.3%, expiring within the year;
- bank loans and borrowings of €3,664 thousand related to the subsidiary Arclinea S.p.A..

The decrease is mainly due to the early repayment of the current portion of the loan (€3,850 thousand), optional repayments by the parent (€13,900 thousand in total) and repayments of medium/long-term loans by the subsidiary Arclinea S.p.A. (€627 thousand).

At 31 December 2017, the terms of the parent's loan were:

Tranche €'000	Rates	31/12/2017	31/12/2016	Repayment plan
Facility A	Euribor + 3.25%	15,850	33,600	Half-yearly instalments due on 31 March and 30 September
Facility B	Euribor + 4%	90,000	90,000	September 2022
Total		**105,850**	**123,600**	

The loan provides for certain financial covenants to be met. At 31 December 2017, they were fully met.

No repayment is due for the Facility A in 2018, as it was settled with the early repayment made in 2017. This contract also provides for certain financial covenants, which were fully met at 31 December 2017.

A breakdown of the maturities is given below (in thousands of Euros)

Tranche	Payables at 31/12/2017	Due after one year	Due after five years
Facility A	15,850	15,850	—
Facility B	90,000		90,000
Total	**105,850**	**15,850**	**90,000**

The company availed of the option not to apply the amortised cost criterion to a loan, as it was already in place at 1 January 2016.

Loans and borrowings from other financial backers

They amount to €133 thousand and relate to the principal portion of current lease payments falling due, following the parent's recognition of assets purchased under finance leases in accordance with the IFRS.

Payments on account

The €33,655 thousand balance (31 December 2016: €27,172 thousand), mainly refers to payments on account received from customers for work in progress and contracts in the backlog at year end. The increase in mainly due to the progress of certain hospitality contract work in progress by the parent and the subsidiaries B&B Italia Contract Project S.r.l. and B&B London Ltd.

Trade payables

Trade payables due within one year amount to €39,479 thousand (31 December 2016: €38,736 thousand).

This caption comprises payables to suppliers of goods and services and to agents.

Payables to associates

This caption amounts to €30 thousand and consists of the parent's receivables from B&B Italia Middle East Design and Furniture LLC. Such receivables relate to transactions carried out on an arm's length basis.

Tax payables

Tax payables within one year comprise:

€'000	31/12/2017	31/12/2016	Change
IRPEF payables on wages, salaries and self-employed fees	995	933	62
Indirect tax payables	435	471	-36
Direct tax payables	1,335	616	719
Other	10	17	-7
Total due within one year	**2,775**	**2,037**	**738**

Social security charges payable

The year-end balance of €2,400 thousand (31 December 2016: €2,244 thousand) refers to sums payable to social security institutions at the reporting date, subsequently paid in January and February 2018, as provided for by current laws. Furthermore, this caption includes accruals for untaken holidays and the additional month's salaries for employees.

It also includes payables to additional and sector pension funds to be paid in January 2018 by the parent and the subsidiary Arclinea S.p.A..

Other payables

These are made up as follows:

€'000	31/12/17	31/12/16	Change
Employees	2,734	3,108	-374
Agents and trade associations	442	405	37
Sundry payables	515	3,772	-3,257
Total	**3,691**	**7,285**	**-3,594**

Sundry payables decreased as an effect of the repayment of a liability of €3,114 thousand arising from the favourable outcome of a tax dispute to the former shareholders of B&B Italia S.p.A..

Reference should be made to the comments in the paragraph on "Tax receivables".

D) ACCRUED EXPENSES AND DEFERRED INCOME

These were recognised in line with technical/accounting regulations and on an accruals basis; they consist of outlays pertaining to the year (accrued expenses) and revenue pertaining to future years (deferred income).

In particular, accrued expenses of €705 thousand (31 December 2016: €826 thousand) mainly relate to loan interest and commissions to be paid by the parent for €213 thousand and to costs for services pertaining to the year to be borne by the subsidiaries B&B Italia USA Inc. and B&B London Ltd..

Deferred income of €872 thousand (31 December 2016: €1,390 thousand) mainly relates to supplies and services to be provided in future years both by the parent and the subsidiary B&B USA Inc.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Existing commitments amount to €7,394 thousand (31 December 2016: €6,754 thousand) and are broken down as follows:

€'000	31/12/17	31/12/16
Guarantees, sureties and endorsements		
Sureties given to third parties	6,580	6,266
Commitments		
Third party assets under rental and financial lease contracts	668	248
Third party assets held at Group warehouses	340	294
Total	**7,588**	**6,808**

Sureties given to third parties amount to €6,526 thousand and mainly refer to sureties given to customers for hospitality contracts of €3,741 thousand.

NOTES TO THE MAIN PROFIT AND LOSS ACCOUNT CAPTIONS

Following the changes introduced by Legislative decree no. 139/2015, the new article 2427.1.13 of the Italian Civil Code requires that "the amount and nature of individual revenues and costs of an exceptional amount or impact" be disclosed. Such amounts are indicated as "non recurring" in these notes.

A) PRODUCTION REVENUES

Turnover from sales and services

Production revenues are broken down as follows:

€'000	2017	2016
Turnover from sales and services	200,795	183,023
Change in work in progress, semi-finished products and finished goods	2,111	-940
Change in contract work in progress	7,016	5,269
Other revenues and income	2,331	2,958
Total	**212,253**	**190,310**

Sales of goods are shown net of discounts, allowances and premiums.

The increase in contract work in progress relates to the progress of certain hospitality contracts by the parent and the subsidiaries B&B Italia Contract Project S.r.l. and B&B London Ltd.

Other revenues and income relate to sundry revenues such as lease income, recharges to customers and suppliers for sundry expenses, gains and prior year items. The parent and the subsidiary Arclinea S.p.A. recognised other non-recurring revenues of €362 thousand.

B) PRODUCTION COST

Raw materials, consumables, supplies and goods

Raw materials, consumables, supplies and goods refer to the supplies of materials and other goods purchased for operating purposes.

They are made up as follows:

Raw materials and supplies

€'000	2017	2016
Raw materials and supplies	56,645	48,669
Consumables	1,568	1,394
Goods	10,652	14,063
Total	**68,865**	**64,126**

Services

Services received from third parties are analysed as follows:

Services received from third parties

€'000	2017	2016
Production services	24,528	20,232
Commercial services	24,678	25,145
Administrative services	6,081	5,359
Other services	1,214	490
Total	**56,501**	**51,226**

Administrative services relate to, among other things, fees paid to the corporate's bodies, directors of €1,921 thousand (2016: €1,942 thousand) and statutory auditors of €86 thousand (2016: €106 thousand).

The fees due to the independent auditors, KPMG S.p.A., and KPMG network member companies total €207 thousand, including €157 thousand for the legally-required audit of the annual financial statements and consolidated financial statements and €50 thousand for other services.

Workforce

The workforce of the Group at 31 December 2017 and 2016, broken down by category, is shown in the following table:

	2017	2016
Managers	25	26
White collars and junior management	286	285
Blue collars and other	307	296
Total	**618**	**607**

Amortisation, depreciation and write-downs

Amortisation and depreciation for the year amount to €20,881 thousand (2016: €20,600 thousand).

Other operating costs

These are equal to €1,499 thousand (2016: €1,666 thousand) and mainly refer to deductible taxes and prior year expense, including non-recurring items recognised in the parent's financial statements (€213 thousand).

C) FINANCIAL INCOME AND CHARGES

Other financial income

This caption amounts to €78 thousand (2016: €52 thousand) and is mainly made up of interest income on the parent's bank current accounts and trade receivables of €50 thousand (2016: €4 thousand).

Interest and other financial charges

Interest and other financial charges of €5,867 thousand (2016: €7,055 thousand) mainly include interest expense on loans.

Exchange rate gains and losses

Net exchange rate losses amount to €899 thousand (2016: gains of €259 thousand), reflecting the trend in exchange rates and related hedges agreed in the year. They also include unrealised exchange rate gains and losses of €11 thousand and €207 thousand, respectively, on the adjustments to closing rates.

D) ADJUSTMENTS TO FINANCIAL ASSETS

Adjustments to financial assets of €145 thousand (2016: €471 thousand) relate to the write-down of investments in associates.

INCOME TAXES

They amount to €5,281 thousand and are broken down as follows:

€'000	2017	2016	Change
Current taxes	6,958	7,450	-492
Change in deferred tax liabilities	-1,331	-589	-742
Change in deferred tax assets	-346	-1,405	1,059
Total	**5,281**	**5,456**	**-175**

Current taxes relate to the parent's and Italian subsidiaries' IRAP and IRES accruals of €1,504 thousand and €4,194 thousand, respectively, while the residual amount relates to income taxes of the subsidiaries B&B Italia USA Inc. and B&B Asia Pacific Limited.

NET PROFIT FOR THE YEAR

The Group posted a net profit for the year of €8,998 thousand.

Novedrate, 28 March 2018

On behalf of the board of directors

The Chairman

Giorgio Busnelli

Annex 1

Deferred tax assets and liabilities and related effects:

	31 DECEMBER 2017									
	Temporary differences	IRES rate	IRES taxation	Temporary differences	IRAP rate	IRAP taxation	Total taxation*	Temporary differences	IRES rate	t
Deferred tax assets										
		24.0%			3.90%				24.0%	
Provision for bad debts	3,154		757	—			757	3,365		
Provision for the write-down of inventory	5,026		1,206	—			1,206	4,802		
Provisions for risks and charges	2,245		539	2,245		88	626	1,613		
Amortisation of goodwill	34		8	34		1	9	121		
Agents' termination indemnity	1,175		282	1,488		58	340	1,056		
Write-down of a building held for sale	2,163		519	—			519	2,163		
Other taxable items	2,647		635	—			635	2,740		
Derivatives	1,675		402	—			402	2,558		
Deferred tax assets of subsidiaries							1,244			
Deferred tax assets resulting from consolidation entries										
	18,119		**4,349**	**3,767**		**147**	**5,739**	**18,418**		
Deferred tax liabilities										
Gains on the sale of fixed assets		24.0%			3.90%				24.0%	
Amortisation and depreciation resulting from the merger (land, buildings and trademarks)	95,586		22,941	95,586		3,728	26,668	100,303		
Year-end translation adjustments	117		28	—		—	28	180		
Leased assets as per IAS 17							34			
	95,703		**22,969**	**95,586**		**3,728**	**26,731**	**100,483**		

* Including €614 thousand of deferred tax assets not shown in the profit and loss account but recognised in the equity reserve "Hedging reserve".

KPMG S.p.A.
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Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
B&B Italia S.p. A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the B&B Italia Group (the "Group"), which comprise the balance sheet as at 31 December 2017, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the B&B Italia Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of B&B Italia S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of B&B Italia S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of consolidated 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 for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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20124 Milano MI ITALIA

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' 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 auditors' 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 ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level 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.

Como, 12 April 2018

KPMG S.p.A.

Stefano Castoldi
Director of Audit

B&B ITALIA GROUP

Consolidated financial statements as at and for the year ended 31 December 2016

€'000	31/12/16	31/12/15 Reclassified	Change
Consolidated balance sheet			
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
B) FIXED ASSETS, with separate mention of those held under finance lease	**309,651**	**311,965**	**-2,314**
I. INTANGIBLE FIXED ASSETS	264,832	268,528	-3,696
1. Start-up and capital costs	1	1	—
2. Research costs			
3. Industrial patents and intellectual property rights	1,990	2,867	-877
4. Concessions, licences, trademarks and similar rights	88,193	92,900	-4,707
5. Goodwill	162,660	163,604	-944
6. Assets under development and payments on account	147	995	-848
7. Other	11,841	8,161	3,680
II. TANGIBLE FIXED ASSETS	43,637	42,981	656
1. Land and buildings	38,355	39,459	-1,104
2. Plant and machinery	3,511	2,065	1,446
3. Industrial and commercial equipment	885	990	-105
4. Other assets	778	453	325
5. Assets under construction and payments on account	108	14	94
III. FINANCIAL FIXED ASSETS	1,182	456	726
1. Investments	3	52	-49
a) subsidiaries			
b) associates			
c) subsidiaries			
d) subsidiaries of parents			
d -bis) other companies	3	52	-49
2. Financial receivables	1,179	404	775
* due after one year	1,179	404	775
3. Other securities			
4. Derivatives			
C) CURRENT ASSETS	**114,736**	**101,353**	**13,383**
I. INVENTORY	41,682	31,694	9,988
1. Raw materials, consumables and supplies	18,594	13,442	5,152
2. Work in progress and semi-finished products	4,469	3,432	1,037
3. Contract work in progress	11,470	7,698	3,772
4. Finished goods	6,824	6,764	60
5. Payments on account	325	358	-33
II. RECEIVABLES	42,507	34,715	7,792
1. Trade receivables	29,234	21,798	7,436
* due within one year	29,234	21,798	7,436
* due after one year			
2. From subsidiaries			
* due within one year			
* due after one year			
3. From associates	125	877	-752
* due within one year	125	877	-752
* due after one year			
4. From subsidiaries			
* due within one year			
* due after one year			
5. From subsidiaries of parents			
5-bis. Tax receivables	5,735	6,652	-917
* due within one year	4,658	5,575	-917
* due after one year	1,077	1,077	
5-ter. Deferred tax assets	6,604	4,931	1,673
* due within one year	6,604	4,931	1,673
* due after one year 5-quarter. From others	809	457	352
* due within one year	809	457	352
* due after one year			
III. CURRENT FINANCIAL ASSETS			
1. Investments in subsidiaries			
2. Investments in associates			
3. Investments in parents			
3 bis. Investments in subsidiaries of parents			
4. Derivatives 6. Other securities			
IV. LIQUID FUNDS	26,547	30,944	-4,397
1. Bank and postal accounts	26,521	30,916	-4,395
2. Cheques on hand			
3. Cash-in-hand and cash equivalents	26	28	-2
4. Revenue stamps			
V. ASSETS HELD FOR SALE	4,000	4,000	—
D) PREPAYMENTS AND ACCRUED INCOME	**2,270**	**2,146**	**124**
1. Prepayments	**254**	**149**	**105**
2. Accrued income	**2,016**	**1,997**	**19**
TOTAL ASSETS	**426,657**	**415,464**	**11,193**

€'000	31/12/16	31/12/15 Reclassified	Change
A) NET EQUITY	**181,459**	**178,638**	**2,821**
I. SHARE CAPITAL	1,000	1,000	—
II. SHARE PREMIUM RESERVE	179,000	179,000	—
III. REVALUATION RESERVE			
IV. LEGAL RESERVE			
V. RESERVE FOR OWN SHARES IN PORTFOLIO			
VI. OTHER RESERVES OTHERWISE INDICATED	493	25	468
VII. HEDGING RESERVE	-1,944		-1,944
VIII. LOSSES CARRIED FORWARD	-1,387	-24	-1,363
IX. NET PROFIT (LOSS) FOR THE YEAR	4,297	-1,363	5,660
TOTAL NET EQUITY PERTAINING TO THE GROUP	**181,459**	**178,638**	**2,821**
SHARE CAPITAL AND RESERVES OF MINORITY INTERESTS			
B) PROVISIONS FOR RISKS AND CHARGES	**33,872**	**31,250**	**2,622**
1. Pension and similar provisions	1,598	1,262	336
2. Tax provision, including deferred tax liabilities	28,090	29,418	-1,328
3. Derivatives	2,558		2,558
4. Other provisions	1,626	570	1,056
C) EMPLOYEES' LEAVING ENTITLEMENT	**4,078**	**3,134**	**944**
D) PAYABLES	**205,032**	**199,439**	**5,593**
1. Bonds			
* due within one year			
* due after one year			
3. Shareholder loans			
* due within one year			
* due after one year			
4. Bank loans and borrowings	127,558	131,000	-3,442
* due within one year	6,992	7,400	-408
* due after one year	120,566	123,600	-3,034
5. Loans and borrowings from other financial backers		11	-11
* due within one year		11	-11
* due after one year			
6. Payments on account	27,172	23,078	4,094
* due within one year	27,172	23,078	4,094
* due after one year			
7. Trade payables	38,736	33,373	5,363
* due within one year	38,736	33,373	5,363
* due after one year			
9. Payables to subsidiaries			
* due within one year			
* due after one year			
10. Payables to associates			
* due within one year			
* due after one year			
12. Tax payables	2,037	4,063	-2,026
* due within one year	2,037	4,063	-2,026
* due after one year			
13. Social security charges payable	2,244	1,933	311
* due within one year	2,244	1,933	311
* due after one year			
14. Other payables	7,285	5,981	1,304
* due within one year	7,285	5,981	1,304
* due after one year			
E) ACCRUED EXPENSES AND DEFERRED INCOME	**2,216**	**3,003**	**-787**
1. Accrued expenses	826	1,795	-969
2. Deferred income	1,390	1,208	182
TOTAL LIABILITIES	**426,657**	**415,464**	**11,193**

€'000	2016	2015 (3 months)
Consolidated profit and loss account		
A) PRODUCTION REVENUES	**190,310**	**45,750**
1. Turnover from sales and services	183,023	46,499
2. Change in work in progress, semi-finished products and finished goods	-940	-2,781
3. Change in contract work in progress	5,269	1,086
4. Internal work capitalised		
5. Other revenues and income	2,958	946
B) PRODUCTION COST	**-173,275**	**-44,538**
6. Raw materials, consumables, supplies and goods	-64,126	-14,450
7. Services	-51,226	-11,958
8. Use of third party assets	-7,277	-996
9. Personnel expenses	-30,927	-7,700
a) wages and salaries	-22,522	-5,543
b) social security contributions	-6,612	-1,677
c) employees' leaving entitlement	-1,301	-328
d) pension and similar costs		
e) other costs	-492	-152
10. Amortisation, depreciation and write-downs	-20,600	-7,801
a) amortisation of intangible fixed assets	-16,473	-4,523
b) depreciation of tangible fixed assets	-3,500	-906
c) other write-downs of fixed assets		-2,163
d) write-downs of current receivables and liquid funds	-627	-209
11. Change in raw materials, consumables, supplies and goods	3,244	-776
12. Provisions for risks	-697	-5
13. Other provisions		
14. Other operating costs	-1,666	-852
Operating profit	**17,035**	**1,212**
C) NET FINANCIAL CHARGES	**-6,744**	**-1,346**
15. Income from investments		
15.1 in subsidiaries		
15.2 in associates		
15.3 in other companies		
15.4 parents and subsidiaries of parents		
16. Other financial income:	52	9
a) from financial receivables classified as fixed assets		
b) from securities classified as fixed assets which are not equity investments		
c) from securities classified as current assets which are not equity investments		
d) other income	52	9
17. Interest and other financial charges	-6,796	-1,355
17.4 Other	-7,055	-1,711
17bis. Net exchange rate gains	259	356
D) ADJUSTMENTS TO FINANCIAL ASSETS	**-471**	**-99**
18. Write-backs		
a) investments		
19. Write-downs	-471	-99
a) investments	-471	-99
PRE-TAX PROFIT/(LOSS)	**9,820**	**-233**
22. Income taxes	-5,456	-1,130
Current taxes	-7,450	-2,423
Deferred taxes	1,994	1,293
NET PROFIT/(LOSS) FOR THE YEAR	**4,364**	**-1,363**
NET LOSS FOR THE YEAR PERTAINING TO MINORITY INTERESTS	-67	
23. NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO THE GROUP	**4,297**	**-1,363**

Changes in net equity pertaining to the group for the year ended 31 December 2016

€'000	Share capital	Share capital injections	Share premium reserve	Legal reserve	Translati reserve
Net equity pertaining to the group at 31/12/2015	**1,000**		**179,000**		**8**
Allocation of 2015 net loss					
Other changes and increases					
Change in translation reserve					4
Rounding					
Net profit for the year					
Net loss for the year pertaining to minority interests					
Net equity pertaining to the group at 31/12/2016	**1,000**	**—**	**179,000**	**—**	**1,3**
Share capital and reserves pertaining to minority interests					
Net equity at 31/12/2016	**1,000**	**—**	**179,000**	**—**	**1,3**

CASH FLOW STATEMENT SHOWING CHANGES IN FINANCIAL POSITION AND CASH FLOWS IN TERMS OF LIQUIDITY FOR THE YEAR ENDED 31 DECEMBER 2016 OF THE B&B ITALIA GROUP

€'000	2016
Cash flow statement	
A. Cash flows from operating activities (indirect method)	
Net profit for the year	**4,927**
Income taxes	7,450
Interest expense	7,003
1. Profit for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**19,380**
Adjustments for non-monetary items that do not affect net working capital:	
Amortisation of intangible fixed assets	16,473
Depreciation of tangible fixed assets	3,500
Accruals to provisions	4,603
Accruals to provisions for write-downs of investments	470
2. Cash flows before changes in net working capital	**25,046**
Increase in inventory	-7,276
Increase in trade receivables and receivables from group comp	-1,376
Increase in tax receivables—excluding direct taxes -	-1,211
Increase in receivables from others	-273
Decrease in prepayments and accrued income	50
Decrease in trade payables and payables to group companies	-785
Increase in payments on account from customers	3,551
Decrease in tax payables—excluding direct taxes	-90
Increase in social security charges payable	27
Increase in other payables	335
Decrease in accrued expenses and deferred income	-793
3. Cash flows after changes in net working capital	**-7,841**
Other adjustments	
Interest collected/paid	-7,003
(Income taxes paid)	-9,599
(Utilisation of provisions)	-3,472
4. Cash flows after other adjustments	**-20,074**
Cash flows from operating activities (A)	**16,511**
B. Cash flows from investing activities	
Tangible fixed assets	
(Investments)	-2,450
Intangible fixed assets	
(Investments)	-5,055
Financial fixed assets	
(Investments)	778
Other changes due to translation of foreign currency items	-42
Cash flows used in investing activities (B)	**-6,769**
Third party funds	
Decrease in short-term bank loans and borrowings	-408
Decrease in short-term loans and borrowings from other financi	-11
Repayment of loans	-3,034
Own funds	
Other changes in net equity	-2,345
Cash flows used in financing activities (C)	**-5,798**
Change in the consolidation scope	-8,341
Decrease in liquid funds (A+B+C)	**-4,397**
OPENING LIQUID FUNDS	**30,944**
CLOSING LIQUID FUNDS	**26,547**
DECREASE IN LIQUID FUNDS	**-4,397**

2016 ANNUAL REPORT

NOTES

Introduction

The consolidated financial statements at 31 December 2016 have been prepared to give a true and fair view of the B&B Italia and its subsidiaries (the "Group") financial position and results of operations.

Format and content of the consolidated financial statements

The Group is a leading manufacturer and distributor, in Italy and abroad, of sofas and armchairs and interior decor, as well as contract supplier.

The consolidated financial statements as at and for the year ended 31 December 2016 have been prepared in accordance with the provisions of the Italian Civil Code and comprise the balance sheet (prepared in accordance with the layout provided for by article 2424 and 2424-bis of the Italian Civil Code), the profit and loss account (prepared in accordance with the layout provided by the article 2425 and 2425-bis of the Italian Civil Code), the cash flow statement (prepared in accordance with the layout provided for by OIC 10 and article 2425-ter of the Italian Civil Code) and these notes, which provide the disclosures required by article 2427 of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter (OIC).

These financial statements incorporate the changes introduced by Legislative decree no. 139/2015 applicable for annual reporting periods beginning on or after 1 January 2016 and the resulting amendments to the OIC. For details of the related effects, reference should be made to the "Application of the new OIC" section and Annex 1 of these notes, which only report the adjustments to the profit and loss account, in that there are no differences in the classification of the balance sheet.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10. The cash flow statement does not have comparative figures for the previous year as the Group's first consolidated financial statements in 2015 did not include a cash flow statement.

The consolidated financial statements as at and for the year ended 31 December 2016 are presented with comparative prior year figures from the financial statements as at and for the year ended 31 December 2015. Furthermore, in order to make a consistent comparison with the figures for 2016, where necessary and for the purposes of clarity, the previous year's balance sheet and profit and loss account captions have also been reclassified.

Amounts are expressed in thousands of Euros, except as otherwise specified.

Consolidation scope

The 2016 consolidated financial statements of the Group include the financial statements of the parent, B&B Italia S.p.A., and the subsidiaries B&B Italia USA Inc., B&B Italia London Ltd, B&B Italia Muenchen GmbH, B&B Italia Asia Pacific Limited, B&B Italia Contract France Sas and B&B Italia Project Contract S.r.l., as well as B&B Italia Paris Sarl and Thea 1958 S.r.l.. The reporting date for all companies in the consolidation scope is 31 December.

The financial statements of all companies in the consolidation scope are approved by their respective boards of directors.

A list of the consolidated companies is given below:

NAME €'000	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		% OF OWNERSHIP
Parent				
B&B Italia S.p.A.	Milan	€	1,000	
Subsidiary				
B&B Italia USA Inc.	New York	US$	10	*100%*
B&B Italia Muenchen GmbH	Munich	€	150	*100%*
B&B London Ltd	London	£	500	*100%*
B&B Italia Asia Pacific Limited	Hong Kong	HK$	1	*100%*
B&B Italia Contract France Sas	Paris	€	30	*100%*
B&B Italy Contract Project S.r.l.	Milan	€	10	*100%*
B&B Italy Paris Sarl	Paris	€	50	*100%*
Thea 1958 S.r.l.	Milan	€	20	*100%*

During the first half of 2016, B&B Italia Paris Sarl was set up in order to manage B&B's monobrand store in Paris and the acquisition of the subsidiary Thea 1958 S.r.l., which holds 70% of Arclinea S.p.A., also included in the consolidation scope, was finalised.

This acquisition allowed the B&B Italia Group to add a range of indoor products to the market, including for the kitchen.

Minority interests, other non-significant investments in investees with a business object differing from that of the Group and investments held to be non-strategic or of a short-term nature are excluded from the consolidation scope.

Consolidation criteria and accounting policies

Consolidation criteria

Consolidated balance sheet figures, as well as consolidated income and expenses, reflect the amounts stated in the financial statements of the consolidated companies adjusted, where necessary, to align them with the following consolidation criteria.

The assets and liabilities of consolidated companies are recognised on a line-by-line basis, eliminating the carrying amount of consolidated investments against the related portion of net equity. Under the line-by-line consolidation method, the carrying amount of investments is eliminated against the related net equity of subsidiaries. Any residual amount, if negative, is recognised in a consolidation reserve. If positive, it is recognised under goodwill arising on consolidation and amortised proportionately to the expected related profitability of each company.

If such difference does not correspond to an actual greater value of the investment and is due to losses carried forward by the Group, it is deducted from the "Other reserves" in consolidated net equity.

With respect to the elimination of consolidated investments, where possible, the portion of net equity pertaining to minority interests is stated under the balance sheet caption "Share capital and reserves of minority interests".

The portion of net profit/loss for the year pertaining to minority interests is also shown under "Net profit/loss for the year pertaining to minority interests".

Receivables and payables, income and expenses arising from transactions among consolidated companies are eliminated.

Where possible, the closing inventory balance is net of profits from the sale of Group goods still held by consolidated companies at year end and not yet realised with third parties.

Gains or losses arising on the sale of operating assets among consolidated companies are eliminated. The related depreciation plan is also restated.

Intragroup transactions are written off, eliminating the related benefits.

Dividends received from investees, recognised in the profit and loss account of the parent, are eliminated under consolidation together with the related tax benefits.

The balance sheet captions of the foreign investees prepared in foreign currency are translated into Euros using the exchange rate ruling on 31 December 2016. For profit and loss account captions, the average exchange rate of the year is applied. In particular:

EXCHANGE RATES	31/12/2016	31/12/2015	Average	
			2016	2015
US$	*1.05*	*1.09*	*1.11*	*1.11*
£	*0.86*	*0.73*	*0.82*	*0.73*
HK$	8.18	8.59	*8.6*	*8.6*

Translation differences are recognised in the specific net equity reserve "Translation reserve". Deferred taxes are recognised on consolidation adjustments.

Basis of preparation

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC.

Under the prudence principle, the Group measures the individual assets and liabilities separately, in order to avoid offsetting losses that should be recognised against unrealised profits that should not be recognised. Specifically, the Group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

In accordance with accruals-based accounting, the Group recognises the effects of transactions in the year to which the transaction relates rather than that in which the related collections and payments occur.

The accounting policies have not changed compared to those applied in the previous year for comparative purposes, except for that set out in the "Application of the new OIC" section".

No exceptional events took place during the year, which would have led the Group to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial positions and results of operations. Moreover, the Group did not make any revaluations under specific laws.

The preparation of financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ.

Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

Application of the new OIC

The application of the new legislation introduced by Legislative decree no. 139/2015 and new OIC standards led to classification changes due to new or eliminated financial statements captions.

The Group recognised the effects of such changes retroactively solely for comparative purposes, reclassifying the prior year corresponding figures (31 December 2015).

Pursuant to article 12.2 of Legislative decree no. 139/2015, the Group opted not to recognise receivables and payables arising before 1 January 2016 at amortised cost and did not discount them, also due to the immateriality of the related effects.

The accounting policies adopted are set out below:

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors, net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs.

Deferred charges, which include start-up and capital costs are recognised when their income generating potential is demonstrated , the related future economic benefits flowing to the Group can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, comprising patents, intellectual property rights, concessions, licences and trademarks, are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Goodwill is recognised as an asset only if acquired against consideration, may be quantified, originates from charges and costs with a long-term useful life which ensure future economic benefits and can, therefore, be recovered.

Leasehold improvements are recognised under other intangible fixed assets when they cannot be separated from the related assets, otherwise they are recognised under the relevant tangible fixed assets captions.

Payments on account to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs to develop the asset are incurred and they include the related internal and external costs.

Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation begins when the asset is available for use. The amortisation pattern depends on how the expected benefits are expected to flow to the Group.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- Start-up and capital costs are amortised over five years.
- Patents, intellectual property rights, concessions, licences and trademarks, are amortised over the shorter of the legal or contractual term and their expected useful life (10 years), while software is amortised in three to five years on the basis of its useful life. The estimated useful life of trademarks cannot exceed 20 years.
- Goodwill is amortised systematically over its useful life, i.e., the period of time within which the related economic benefits will probably arise which, in any case, cannot exceed twenty years;

- the deferred charges on the loan, which are amortised over the term of the loan to which they refer.
- Leasehold improvements are amortised over the shorter of their useful life and the residual lease term, considering any renewal period, if at the Group's option.
- Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

Goodwill and trademarks include part of the allocation of goodwill from Durini 14 S.p.A.'s acquisition of the quota capital of Geb S.r.l. and share capital of B&B Italia S.p.A. in 2015, as well as B&B Italia S.p.A.'s acquisition of the share capital of Arclinea S.p.A. in September 2016.

These captions are amortised over 20 years, a timeframe considered representative of the expected economic benefits. Specifically, the Group's profit-making prospects and medium-term plans allow for a 20-year economic visibility. Furthermore, the Group's business development requires a long- term duration in order to bring the business up to speed in terms of activities and the Group's market position, which would be hard to replicate in a short-term period. A further consideration considers international development led by the opening of foreign branches and the conclusion of commercial distribution agreements on various target markets, which brings greater stability to the medium-term cash flows due to the business cycles of the different geographic segments.

The amortisation criteria and/or rates applied have not varied from the previous year.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase or production cost, include direct charges and are increased for monetary revaluations in accordance with Laws nos. 576 of 2 December 1975, 72 of 19 March 1983, 413 of 30 December 1991, 342 of 21 November 2000 and 185 of 29 November 2008. Moreover, they are adjusted to reflect accumulated depreciation and any impairment losses.

Ordinary maintenance costs related to recurring maintenance and repair to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis, using rates held to reflect the asset's estimated useful life.

Depreciation begins when the asset is available for use.

Temporarily unused assets are also depreciated.

Land is not depreciated. If the carrying amount of a building also includes the underlying land, the carrying amount of the building is separated, including based on estimates, for depreciation purposes.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

Assets under finance leases are recognised in balance sheet assets if and when the purchase option is exercised. During the lease term, the lease payments are recognised in the profit and loss account as production costs on an accruals basis.

Tangible fixed assets are revalued, to the extent of their recoverable amount, only if the law requires or permits so.

The depreciation criteria applied have not varied from the previous year.

The depreciation rates applied to the main groupings of assets are set out below:

Buildings	3%
Light constructions	10%
Machinery	12%
Equipment	25%
Mobile radio system	20%
Vehicles	20%
Furniture and fittings	12%
Electronic office equipment	20%

WRITE-DOWNS FOR IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS

Pursuant to OIC 9, if, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

Value in use is calculated on the basis of the present value of the future cash flows that the Group expects to derive from the use of the asset, based on the most recent plans approved by the board of directors (2016-2022). The future cash flows for the years subsequent to those covered by the plan period are calculated by projecting the plan figures.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the Group is not yet committed or improving or enhancing the asset's performance.

The discount rate applied to calculate the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or an active market, fair value is determined on the basis of the best available information such to reflect the amount the Group could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never

taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

This analysis is carried out at least once a year in order to verify any impairment losses.

FINANCIAL FIXED ASSETS

INVESTMENTS

Investments in associates are measured using the equity method.

Investments in other companies are stated at acquisition or subscription cost, increased for any ancillary costs and written down in the case of impairment.

RECEIVABLES

Receivables are recognised under fixed or current assets depending on their intended use in relation to the Group's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed in the notes.

INVENTORY

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges. The purchase cost of materials includes their price, transport costs, customs and other duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Production cost includes all direct costs and the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity. Production cost excludes general and administrative costs, distribution costs and research and development costs.

The Group has adopted the weighted average cost model.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

Therefore, inventory items whose estimated realisable value based on market trends is lower than their carrying amount are written down.

Should the reasons for the write-down applied as an adjustment to the realisable value based on market trends cease to exist, in whole or in part, the write-down is reversed to the extent of the originally incurred cost.

Contract work in progress, made up of Contract Division contracts, are measured on a percentage of completion basis whereby contract costs, revenues and profits or losses are recognised in line with the percentage of completion of the contract, calculated using the cost-to-cost method.

This method reflects the best estimate of work performed at the reporting date. The underlying assumptions are updated regularly. Any resulting profits or losses are recognised in the profit and loss account when the update is made.

Contract revenues include all contractual consideration, approved variations to work, price escalation clauses, claims and incentives to the extent they can be measured reliably.

Contract costs include all costs directly attributable to the contract, to the contract work in general and attributable thereto, as well as any other costs that may be specifically charged to the customers under the contract terms. They also include pre-operating costs, i.e., those costs incurred in the initial stage of the contract before the commissioned work begins, post-operating costs, i.e., those incurred after the closure of the contract, and costs for any services to be carried out after the completion of the contract.

If the Group is unable to estimate the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain and without recognising any profit.

Contract work in progress is stated net of any accumulated write-downs and/or losses to complete. Conversely, advances and payments on account are financial items that do not contribute to revenues and are always recognised as liabilities as they are not received for work that has already been carried out.

When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the probable loss to complete the contract is recognised as a decrease in contract work in progress when it is forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the excess is accrued in a provision for risks and charges.

RECEIVABLES AND PAYABLES

Receivables and payables are recognised at amortised cost, considering the time value of money and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, generally for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are not significant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the Group opted not to recognise receivables and payables arising before 1 January 2016 at amortised cost and did not discount them.

When the Group recognises receivables at amortised cost, their carrying amount at initial recognition is their nominal amount, unless discounting is necessary, as described later on, net of any bonuses, discounts and allowances, as well as any directly attributable transaction costs.

The amortised cost calculation using the effective interest method includes transaction costs, commissions and any other difference between the receivables' initial carrying amount and the nominal amount at their due date. The effective interest rate is calculated upon initial recognition and maintained for subsequent measurements, except when variable rates indexed to market rates have been contractually agreed.

Receivables or payables are initially recognised at their nominal amount, net of discounts and allowances contractually provided for or, in any case, granted. Receivables are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced

by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

Trade receivables and payables due after one year upon initial recognition that do not bear interest or bear contractual interest at rates that significantly differ from market rates are initially recognised at their present value by discounting future cash flows using market interest rates. The difference between the carrying amount at initial recognition and the terminal value is recognised in the profit and loss account as interest income over the receivable's life, using the effective interest method. The Group recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the Group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The amount of the impairment loss on receivables measured at amortised cost is the difference between their carrying amount and the estimated present value of future cash flows discounted using the receivables' original effective interest rate, net of any expected irrecoverable amounts.

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties.

There are no receivables or payables from repurchase agreements.

LIQUID FUNDS

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate.

Liquid funds in foreign currency are converted at the closing rates.

ASSETS HELD FOR SALE

Tangible fixed assets held for sale are reclassified to current assets only if they can be sold at their present conditions, their sale is highly probable and it is expected to be completed in the short term. They are not depreciated but measured at the lower of their carrying amount and estimated realisable value based on market trends.

Obsolete tangible fixed assets and, in general, those that are no longer used or can no longer be used in production permanently are not depreciated and are measured at the lower of their carrying amount and recoverable amount.

PREPAYMENTS AND ACCRUED INCOME, ACCRUED EXPENSES AND DEFERRED INCOME

Accrued income and expense are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expense and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the Group analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

In particular, the provision for agents' termination indemnity is calculated in accordance with the regulations set out in national labour contracts.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or internal agreements which are not required to be repaid. The related liability is the amount that the Group would have paid had all employees left at the reporting date. The amount due to employees who had already left the Group at the reporting date but that will be paid in the following year are reclassified to payables.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Collateral given is shown at the amount corresponding to the total amount guaranteed, net of payables secured by collateral.

Other off-balance sheet commitments, guarantees and contingent liabilities show the amount of the effective underlying commitment.

RECOGNITION OF REVENUES AND COSTS

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in

compliance with the accruals and prudence concepts. Revenues from the sale for the goods are recognised when the production process for the goods has been completed and the exchange has already taken place, i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter. Revenues from the provision of services are recognised once the services have been provided, i.e., when they have been carried out. Revenues generated by long- term contracts are recognised upon completion of the contract and measured on a percentage of completion basis.

FOREIGN CURRENCY TRANSACTIONS, ASSETS AND LIABILITIES

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency monetary items, including the provisions for risks and charges related to foreign currency liabilities, are translated using the closing spot rates. Any resulting gains or losses are taken to the profit and loss account.

Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the exchange rate ruling at their date of purchase; consequently, the exchange rate gains and losses are not recognised separately.

Any unrealised net exchange rate gain on foreign currency monetary items forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year are approved, it is recognised in a undistributable reserve. Should the net profit for the year be lower than the unrealised net exchange rate gain, the amount recognised in the undistributable reserve is equal to the net profit for the year.

If foreign currency items are designated as hedged items or hedging instruments in a hedging relationship, the Group applies the accounting treatment described in the "Derivatives" section.

DERIVATIVES

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Group recognises a derivative when it becomes party to its contractual provisions, i.e., when it signs the contract and is, therefore, subject to its rights and obligations. It recognises derivatives, including embedded derivatives, at fair value.

At each reporting date, the Group measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if their fair value is negative. Fair value is the price that would be received to sell an

asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.

Fair value gains or losses on derivatives that do not meet the hedge accounting requirements are recognised in the specific profit and loss account captions.

A derivative qualifies for hedge accounting if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets the qualitative and quantitative hedge effectiveness requirements.

Therefore, if the Group uses derivatives as hedges from a management perspective but the hedging relationship does not fully meet hedge accounting requirements, it recognises them based on the general treatment described earlier.

The hedge effectiveness is documented at initial recognition and also on an ongoing basis. At each reporting date, the Group assesses whether the hedging relationship is still effective.

If all the requirements mentioned above are met, hedging relationships may be accounted for using the following models.

If a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction and could affect the net profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the specific net equity reserve, whereas the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account.

The gains or losses accumulated in the net equity reserve are reclassified to the profit and loss account in the year or over the years during which the hedged future cash flows affect the net profit or loss. If a firm commitment or a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses that were recognised in the specific reserve are reclassified from equity to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon its recognition.

When the Group discontinues hedge accounting for a cash flow hedge, but the hedged future cash flows are still expected to occur, the amount that has been accumulated in the reserve remain in net equity until the future cash flows occur. If the hedged future cash flows are no longer expected to occur or the forecast transaction is no longer highly probable, that amount is immediately reclassified from the reserve to the profit and loss account.

Derivatives have been analysed and treated as follows:

- with respect to the interest rate swaps (IRS) agreed to hedge interest rate risks in accordance with Italian GAAP, the Group recognised the fair value gains and losses on the effective part of the hedging instrument in the specific net equity reserve, net of the tax effect, and allocating the evaluation effect under provisions for risks and charges;

- the disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section of these notes.

INCOME TAXES

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have been not claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable. Tax receivables and payables are measured at amortised cost, except when they are due within one year.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years.

Deferred tax liabilities arising from taxable temporary differences relating to investments in subsidiaries and transactions giving rise to reserves taxable on distribution are always recognised unless the specific requirements provided for by the relevant standard are met. Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

The deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward of tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

These notes present a schedule of the temporary differences which led to the recognition of deferred tax assets and liabilities, specifying the rate applied, changes over the previous year, amounts taken to the profit and loss account or equity, captions excluded from the calculation, the amount of deferred tax assets recognised on net losses for the current or previous years and the amount of taxes not yet recognised. Taxation on subsidiaries' reserves, if any, are not accrued as no distribution to is expected.

POST-BALANCE SHEET EVENTS

At their extraordinary meeting held on 21 March 2017, the shareholders of Thea 1958 S.r.l. resolved the merger into Arclinea S.p.A., in order to simplify the company's control chain. When this transaction is completed, B&B Italia S.p.A. will directly own 70% of Arclinea S.p.A.'s share capital. There are no post-balance sheet events with an impact on the Consolidated Financial Statements ended 31 December 2016.

NOTES TO THE MAIN ASSET CAPTIONS

Change in the consolidation scope refers to the subsidiary Thea 1958 S.r.l.'s acquisition of 70% of Arclinea S.p.A..

B I) INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets with respect to the previous year end are as follows:

€'000	31/12/16	31/12/15	Change
Start-up and capital costs	1	1	0
Industrial patents and intellectual property rights	1,990	2,867	-877
Concessions, licences, trademarks and similar rights	88,193	92,900	-4,707
Goodwill	162,660	163,604	-944
Other	11,841	8,161	3,680
Assets under development	147	995	-848
Total	**264,832**	**268,528**	**-3,696**

The amounts related to the capitalisation of costs related to the integration/completion of the parent's ERP system were recognised in industrial patents and intellectual property rights and assets under development.

In concessions, licences and trademarks at 31 December 2016, are included €88,125 thousand, net of accumulated amortisation and gross of the deferred tax effect, attributable to the parent's portion of goodwill arising from the merger. Land and buildings also contributed to this, as detailed in the paragraph on tangible fixed assets. These amounts were confirmed by an expert evaluation.

Goodwill at 31 December 2016 includes €155,035 thousand net of accumulated amortisation related to the parent's remaining goodwill. Furthermore, it also includes €7,241 thousand related to the consolidation of Arclinea S.p.A., that is, the difference between the price paid by the subsidiary Thea 1958 S.r.l. for the acquisition of 70% of Arclinea S.p.A. and its net equity, that took place in September 2016. No impairment indicators. The remainder relates to the Fonde de Commerce of the monobrand store in Paris.

Other mainly includes borrowing costs on the loan of €5,867 thousand by the parent as well as extraordinary maintenance costs related to the restructuring of the show rooms in New York and Paris of €5,304 thousand.

The change was as follows:

	€'000
Increases	5,328
Decreases	-273
Amortisation	-16,473
Translation differences	49
Change in the consolidation scope	7,673
Total	**-3,696**

The increases mainly refer to the subsidiaries B&B Italia Usa Inc. and B&B Italia Paris Sarl. The change in the consolidation scope was included in the goodwill generated following the parent's acquisition of the investment in Arclinea S.p.A..

B II) TANGIBLE FIXED ASSETS

Tangible fixed assets underwent the following changes:

€'000	31/12/16	31/12/15	Change
Land and buildings	38,355	39,459	-1,104
Plant and machinery	3,511	2,065	1,446
Industrial and commercial equipment	885	990	-105
Other assets	778	453	325
Assets under construction and payments on account	108	14	94
Total	**43,637**	**42,981**	**656**

In land and buildings at 31 December 2016 are included €12,188 thousand related to the allocation of part of the goodwill arose from the merger. The amounts were net of depreciation of the buildings and gross of the related deferred tax effect and were supported by an appraisal.

The changes are analysed as follows

	€'000
Increases	2,456
Decreases	-6
Depreciation	-3,500
Translation differences	-7
Change in the consolidation scope	1,713
Total	**656**

The main increases were related to the purchase of specific plant in the parent's production units, as well as the purchase of moulds for manufacturing new products.

B III) FINANCIAL FIXED ASSETS

Investments

Investments in associates and other companies totalled €3 thousand at year end (31 December 2015: €52 thousand).

They relate to investments in associates and can be analysed as follows:

€'000	%	31/12/2015	Increases	(Write-downs) Write- backs	31/12/2016
Investments:					
Associates					
B&B Italy Middle East Design and Furniture LLC	49	**52**		(52)	—
Total		**52**		**(52)**	**—**
Provision for risks—associates					
B&B Italy Middle East Design and Furniture LLC	49	—	—	(418)	(418)
Total associates		**—**	**—**	**(418)**	**(418)**

The write-down of the investment in associate, B&B Italia Middle East and Design and Furniture LLC derives from their measurement using the equity method.

During 2016, the sale of the investment in the associate S.M.B Sarl was finalised, the profit and loss effects of which were already included in the 2015 financial statements.

No companies or entities are owned through trustees and/or nominees.

Investments in associates:

REGISTERED OFFICE €'000	SHARE/QUOTA CAPITAL in foreign currency		NET DEFICIT	NET LOSS FOR THE YEAR	OWNER SHIP %
Associates					
B&B Italy Middle East Design and Furniture LLC—Doha	Qar	200,000	** -853	-396	49
Total					

** Draft financial statements at 31 December 2016

Financial receivables

Financial receivables amount to €1,179 thousand (€404 thousand at 31 December 2015) and refer to guarantee deposits, principally related to rental contracts.

CURRENT ASSETS

C I) INVENTORY

Inventory includes raw materials, semi-finished products, finished goods and payments on account.

€'000	31/12/16	31/12/15	Change
Raw materials, consumables and supplies	18,594	13,442	5,152
Work in progress and semi-finished products	4,469	3,432	1,037
Contract work in progress	11,470	7,698	3,772
Finished goods	6,824	6,764	60
Payments on account	325	358	-33
Total	**41,682**	**31,694**	**9,988**

The most significant changes refer to the parent's increase of raw materials following a rise in purchase volumes, as well as a change to the consolidation scope. With regard to contract work in progress, the increase is attributable to the progress of a hospitality contract in Israel.

At 31 December 2016, the provision for the write-down of inventory amounted to €5,548 thousand (31 December 2015: €4,163 thousand), of which €1,865 thousand for raw materials, €378 thousand for semi-finished products and €3,305 thousand for finished goods. Changes in the provision are as follows:

	€'000
Provision for the write-down of inventory	
Opening balance	4,163
Decreases	-964
Increases	1,909
Translation differences	-35
Change in the consolidation scope	475
Closing balance	**5,548**

C II) RECEIVABLES

Trade receivables

Trade receivables due within one year comprise:

€'000	31/12/16	31/12/15
Customers	30,982	21,732
Bills in portfolio	2,568	3,255
Gross receivables	**33,550**	**24,987**
Provision for bad debts	-4,316	-3,198
Net receivables	**29,234**	**21,789**

The nominal amount of such receivables has been written down to their expected realisable value through recognition of a specific provision for bad debts.

There is no concentration of significant receivables with one or few customers, with the exception of some Contract Division customers which traditionally have accounted for a significant amount of receivables.

The increase is mainly due to the change in the consolidation scope (€5,308 thousand) and the increase in receivables by €2,214 thousand due to the increase in the parent's turnover.

The provision for bad debts is broken down as follows:

	€'000
Opening balance	3,198
Increases	162
Decreases	-231
Translation differences	2
Change in the consolidation scope	1,185
Closing balance	**4,316**

The accrual of €154 thousand differs from the amount indicated in the profit and loss account as the residual amount of the accrual is due to the write-down of receivables from the associate B&B Italia Middle East Design and Forniture LLC.

The provision was mainly used for the conclusion of some ongoing insolvency proceedings.

From associates

This caption amounts to €125 thousand (31 December 2015: €877 thousand) and consists of parent's receivables from B&B Italia Middle East Design and Furniture LLC. Such receivables relate to transactions carried out on an arm's length basis.

Tax receivables

They comprise:

€'000	31/12/16	31/12/15	Change
Tax receivables			
VAT receivables	1,012	2,225	-1,213
IRES receivables	317		317
IRAP receivables	28	43	-15
Other	3,301	3,307	-6
Total due within one year	**4,658**	**5,575**	**-917**
IRES receivables claimed for reimbursement	1,077	1,077	—
Total due after one year	**1,077**	**1,077**	—

VAT receivables decreased following the absorption as part of the monthly settlements due to sales in Italy being non-proportional, to the parent's respective purchases. They are expected to be fully settled in 2017.

Other includes the IRES and IRAP receivables recognised by the parent after it provisionally paid the amounts set out in the tax assessment reports for 2003 to 2010, pending the relevant court decision.

In December 2016, the parent received notice that these tax assessments were closed. The reimbursement from the tax authorities took place in March 2017.

Tax receivables due after one year relate to receivables recognised by the parent following its claim for an IRES reimbursement given the non-deduction of IRAP (regional tax on productive activities) on personnel expenses for 2007 to 2011. The claim was filed on 12 March 2013. This amount is classified as due after one year as it should be collected in future years.

Deferred tax assets

These amount to €6,604 thousand (31 December 2015: €4,931 thousand) and mainly consists of the following captions: amortisation of goodwill, the taxed provision for bad debts, the provision for sundry risks, the provision for the write-down of inventory and the tax effect on consolidation entries, as well as the tax effect on the fair value of the hedged interest rate caption. Reference should be made to Annex 2 to the notes for further information on temporary differences generating deferred tax assets and liabilities.

€614 thousand relates to the deferred tax effect of the financial instruments on derivatives not attributable to the profit and loss account, but recognised in the related equity reserve.

These receivables are deemed to be recoverable based on the Group's profit-making prospects.

From others

The balance of this caption can be broken down as follows:

€'000	31/12/16	31/12/15
Due within one year		
Advances to suppliers	604	324
Social security institutions	102	39
Other minor	103	94
Total	**809**	**457**

C IV) LIQUID FUNDS

This caption is made up of bank current account credit balances and cash-in-hand, broken down as follows:

	31/12/16	31/12/15
Cash-in-hand	26	28
Bank current accounts	26,521	30,916
Total	**26,547**	**30,944**

Reference should be made to the cash flow statement for changes during the year.

V) ASSETS HELD FOR SALE

Assets held for sale of €4,000 thousand comprise buildings and land and the related generic plant of the parent's Ascoli Piceno site (central Italy), currently unused, after its decision to sell them.

D) PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to €2,270 thousand (31 December 2015: €2,146 thousand) and mainly refer to:

- accrued income of €254 thousand (31 December 2015: €149 thousand), related to costs for services;
- prepayments totalling €2,016 thousand (31 December 2015: €1,997 thousand) mainly related to lease payments, rent and maintenance, exhibitions as well as advanced costs relating to the subsidiary B&B USA Inc., B&B Italia London Ltd and B6B Italia Paris Sarl.

NOTES TO THE MAIN EQUITY AND LIABILITY CAPTIONS

A) NET EQUITY

A I) SHARE CAPITAL

The share capital of €1,000 thousand, entirely subscribed and paid up at year end, is divided into 8,000,000 category A shares and 1,000,000 category B shares and 1,000,000 category C shares, with no indication of the nominal amount. In particular, class A recognises particular rights for their owners (i.e. circulation of shares, appointment of the Board of Directors and Auditors, corporate governance). Other rights are recognized for class B (i.e. possibility to sell B shares, right of veto on the particular board of director's meeting, appointment of the Board of Directors and Auditors, corporate governance) and for class C (i.e. possibility to sell C shares in case of control alienation).

A II) SHARE PREMIUM RESERVE

In 2015 at the same time as the investment that took place, including Durini 14 S.p.A.'s (direct and indirect) acquisition of former B&B Italia S.p.A.'s entire share capital, a further increase in share capital from €50 thousand to €180,000 thousand was approved, as was a €179,950 thousand increase, to be paid in one instalment, of which €950 thousand to share capital and €179 thousand to the share premium reserve. In addition to the loan granted by Banca Imi S.p.A., Natixis S.A. Milan branch and Unicredit S.p.A., this transaction provided Durini 14 S.p.A. with the funds necessary to complete the transaction in accordance with the deadlines set out in the agreements signed by the company. The share premium reserve had no variation in 2016.

A VII) HEDGING RESERVE

At 31 December 2016, this caption shows a negative balance of €1,944 thousand, which was recognised by the parent following the application of the new accounting policies, as previously stated in the introductory paragraphs of these notes. Fair value loss on IRS derivatives shows fair value gains and losses on the effective part of the hedging instrument (IRS) designed to hedge against the variability in cash flows on the loan from the previous year.

B) PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made up as follows:

Provisions for risks and charges €'000	31/12/16	31/12/15	Change
Pension and similar provisions	1,598	1,262	336
Deferred tax liabilities	28,090	29,418	-1,328
Other	1,626	570	1,056
Derivatives	2,558	—	2,558
Total	**33,872**	**31,250**	**2,622**

Pension and similar provisions consist of the agents' termination indemnity amounting to €1,598 thousand. Based on the relevant national agency agreements, this provision covers the contractual fees of indirect sales agents for the whole year.

During the year, this caption increased due to accruals (€114 thousand) and the change in the consolidation scope (€255 thousand) while €33 thousand was used.

Deferred tax liabilities of €28,090 thousand mainly include deferred tax liabilities generated following the parent's allocation of goodwill arising from the merger to trademarks, land and buildings, as well as €62 thousand deriving from consolidation adjustments.

Other provisions, amounting to €1,626 thousand (31 December 2015: €570 thousand), consist of:

- the provision for sundry risks of €1,208 thousand (31 December 2015: €570 thousand). €697 thousand was accrued to this provision in relation to pending lawsuits, while €59 thousand was used following the settlement of others by the parent.
- The provision for the write-down of investments in associates, equal to €418 thousand, relates to the valuation of the investment in the associate B&B Italia Middle East and Furniture LLC in order to adjust it to the net equity.

Derivatives of €2,558 thousand include the increase in fair value related to the effective part of the IRS hedging instrument on the notional amount (€90,000 thousand) of facility B of the syndicate loan of the same amount taken out by the parent. This hedge guarantees a fixed rate of 0.61% for the whole loan period (until 30/9/2022). This transaction was carried out with Banca Intesa and Unicredit for €45,000 each, both under the same conditions. The balancing entry was recognised net of the tax effect in the specific net equity reserve.

The following table shows the notional amount and the market-to-market value of the derivatives. Reference should be made to the "Accounting policies" section of the notes for a breakdown of the related methodology used to calculate the hedging fund.

Thousands of Euros	Notional amount at 31/12/2016	MTM at 31/12/2016
Instrument		
Interest Rate Swap	90,000	-2,558
Total	**90,000**	**-2,558**

C) EMPLOYEES' LEAVING ENTITLEMENT

Employees' leaving entitlement has been calculated in compliance with applicable laws and contractual obligations.

The payable includes all accruals (Law no. 297/82) made for employees of the Group at year end.

Changes in this caption are as follows:

€'000	31/12/16	31/12/15
Opening balance	3,134	3,359
Increases	1,234	1,180
Decreases	-1,463	-1,405
Change in the consolidation scope	1,173	—
Closing balance	**4,078**	**3,134**

The closing balance is adequate to cover the amount required by contractual obligations and relevant legislation.

Decreases include the amount transferred to the Treasury fund of the Italian Social security institution (INPS) and additional sector pension funds of €1,406 thousand.

D) PAYABLES

Bank loans and borrowings

This caption is made up as follows:

€'000	31/12/16	31/12/15	Change
Due within one year	6,992	7,400	-408
Due after one year	120,566	123,600	-3,034
Total	**127,558**	**131,000**	**-3,442**

This caption is made up of:

- instalments for the loans and borrowings provided to the parent by a bank syndicate, led by Unicredit S.p.A., Banca Ima S.p.A. and Natixis S.p.A. Milan branch. In order to guarantee the loan, there is collateral on asset captions and company shares, linked to the trend of certain financial variables.
- bank loans and borrowings of €3,958 thousand related to the subsidiary Arclinea S.p.A..

At 31 December 2016, the terms of the parent's loan were:

Tranche €'000	31/12/2015	Rates	31/12/2016	Repayment plan
Facility A	35,000	Euribor + 4%	33,600	Half-yearly instalments due on 31 March and 30 September
Facility B	90,000	Euribor + 4.5%	90,000	September 2022
Bridge to cash	6,000	Euribor + 2%	—	September 2016
Total	**131,000**		**123,600**	

The loan provides for certain financial parameters to be met. At 31 December 2016, they were fully met.

A breakdown of the maturities is given below (in thousands of euros):

Tranche	Payables at 31/12/16	Due within one year	Due after one year	Due after five years
Facility A	33,600	**3,850**	29,750	—
Facility B	90,000	**—**	90,000	90,000
Total	**123,600**	**3,850**	**119,750**	**90,000**

Loans and borrowings from other financial backers

During the year, the principal for lease instalments, following the parent's recognition of assets under finance lease in accordance with IFRS, were completely settled for €11 thousand.

Payments on account

The €27,172 thousand balance (31 December 2015: €23,078 thousand), mainly refers to payments on account received from customers for work in progress and contracts in the backlog at year end. The increase is mainly due to the progress of the Hospitality contract.

Trade payables

Trade payables due within one year amount to €38,736 thousand (31 December 2015: €33,373 thousand).

This caption comprises payables to suppliers of goods and services to agents. The increase is mainly due to the change in the consolidation scope (€6,148 thousand).

Tax payables

Tax payables within one year comprise:

€'000	31/12/2016	31/12/2015	Change
IRPEF payables on wages, salaries and self-employed fees	933	851	82
Indirect tax payables	471	366	105
Direct tax payables	616	2,846	-2,230
Other	17	—	17
Total due within one year	**2,037**	**4,063**	**-2,026**

Social security charges payable

The year-end balance of €2,244 thousand (31 December 2015: €1,933 thousand) refers to sums payable to social security institutions at the reporting date, subsequently paid in January and

February 2017, as provided for by current laws. Furthermore, this caption includes accruals for untaken holidays and the additional month's salaries for employees.

It also includes additional and sector pension funds to be paid in January 2017 by the parent and the subsidiary Arclinea S.p.A..

Other payables

These are made up as follows:

€'000	31/12/2016	31/12/2015	Change
Employees	3,108	2,247	861
Agents and trade associations	405	383	22
Other payables	3,772	3,351	421
Total	**7,285**	**5,981**	**1,304**

Other payables include a payable of €3,114 thousand to B&B Italia S.p.A.'s former shareholders due to the outcome of the parent's tax dispute. This payable will be reimbursed during 2017, following the positive settlement of the dispute, based on the conditions stipulated when the shareholding in B&B Italia S.p.A. was sold.

Reference should be made to the comments in the paragraph on "Tax receivables".

D) ACCRUED EXPENSES AND DEFERRED INCOME

These were recognised in line with technical/accounting regulations and on an accruals basis; they consist of outlays pertaining to the year (accrued expenses) and revenue pertaining to future years (deferred income).

In particular, accrued expenses of €826 thousand (31 December 2015: €1,795 thousand) mainly relate to interest and commission due from the parent for €372 thousand on costs for services pertaining to the year for the subsidiaries B&B Italia USA Inc. and B&B London Ltd..

Deferred income of €1,390 thousand (31 December 2015: €1,208 thousand) mainly relates to supplies and services to be provided in future years both by the parent and the subsidiary B&B USA Inc.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments amount to €6,754 thousand (31 December 2015: €5,115 thousand) and are analysed as follows:

€'000	31/12/16	31/12/15
Guarantees, sureties and endorsements		
Sureties given to third parties	6,212	4,474
Commitments		
Rented third party assets	248	418
Third party assets held at Group warehouses	294	223
Total	**6,754**	**5,115**

Sureties given to third parties amount to €6,212 thousand and mainly refer to sureties given to customers for hospitality contracts of €3,236 thousand.

NOTES TO THE MAIN PROFIT AND LOSS ACCOUNT CAPTIONS

Following Durini 14 S.p.A.'s purchase of Geb S.r.l.'s quota capital and B&B Italia S.p.A.'s share capital on 22 September 2015, the previous year's profit and loss account shows just three months. The figures are compared to the figures from the consolidated financial statements for the period 1 January 2016 to 31 December 2016 (12 months). Changes are not commented on because the periods were of different lengths.

Following the changes introduced by Legislative decree no. 139/2015, the new article 2427.1.13 of the Italian Civil Code requires that the amount and nature of individual revenues and costs of an exceptional amount or impact be disclosed. Such amounts are indicated as "non recurring" in these notes.

In order to make a consistent comparison with the figures for 2016, where necessary and for the purposes of clarity, the previous year's profit and loss account captions have also been reclassified.

A) PRODUCTION REVENUES

Turnover from sales and services

Production revenues are broken down as follows:

€'000	2016	2015 (3 months)
Turnover from sales and services	183,023	46,499
Change in work in progress, semi-finished products and finished goods	-940	-2,781
Change in contract work in progress	5,269	1,086
Other revenues and income	2,958	471
Total	**190,310**	**45,275**

Sales of goods are shown net of discounts, allowances and premiums.

The decrease in contract work in progress is due to the completion of a hospitality contract by the parent in 2016.

Other revenues and income relate to sundry revenues such as lease income, recharges to customers and suppliers for sundry expenses, gains and prior year items. The parent recognised non-recurring other revenues of €444 thousand.

B) PRODUCTION COST

Raw materials, consumables, supplies and goods

Raw materials, consumables, supplies and goods refer to the supplies of materials and other assets purchased for operating purposes.

They are made up as follows:

Raw materials and supplies

	2016	2015 (3 months)
Raw materials and supplies	48,669	10,710
Consumables	1,394	326
Goods	14,063	3,414
Total	**64,126**	**14,450**

Services

Services received from third parties are analysed as follows:

	2016	2015 (3 months)
Production services	20,232	5,337
Commercial services	25,145	4,772
Administrative services	5,359	1,649
Other services	490	200
Total	**51,226**	**11,958**

Administrative services relate to, *inter alia*, fees paid to directors of €1,942 thousand and statutory auditors of €106 thousand (three months of 2015: €1,649 thousand).

The fees due to the independent auditors, KPMG S.p.A., and KPMG network member companies total €149 thousand, including €146 thousand for the legally-required audit of the annual statutory and consolidated financial statements and €3 thousand for other services.

Workforce

The workforce of the Group at 31 December 2016 and 2015, broken down by category, is shown in the following table:

	2016	2015
Managers	26	23
White collars and junior management	295	233
Blue collars and other	286	231
Total	**607**	**487**

The increases are mainly due to Arclinea S.p.A's inclusion in the consolidation scope.

Amortisation, depreciation and write-downs

Amortisation and depreciation for the year amount to €19,973 thousand.

Other operating costs

These are equal to €1,666 and mainly refer to deductible taxes and prior year expense, including non-recurring items recognised in the parent's financial statements (€406 thousand).

C) NET FINANCIAL INCOME

Other financial income

This caption amounts to €52 thousand (2015: €9 thousand) and is mainly made up of interest income on the parent's bank current accounts and on trade receivables of €4 thousand (2015: €9 thousand).

Interest and other financial charges

Interest and other financial charges of €7,056 thousand (2015: €1,711 thousand) mainly includes interest expense on medium/long-term loans.

Net exchange rate gains and losses

Net exchange rate gains amount to €259 thousand, reflecting the positive trend in exchange rates and related hedges agreed in the year. They also include unrealised exchange rate gains and losses of €2 thousand and €96 thousand, respectively, on the adjustment to closing rates.

D) ADJUSTMENTS TO FINANCIAL ASSETS

Adjustments to financial assets of -€471 thousand relate to the write-down of investments in associates.

INCOME TAXES

They amount to €5,456 thousand and are broken down as follows:

€'000	2,016	2,015
Current taxes	7,450	2,423
Deferred tax liabilities	-589	-54
Deferred tax assets	-1,405	664
Total	**5,456**	**3,033**

Current taxes relate to the parent's IRAP and IRES accruals of €1,355 thousand and €5,012 thousand, respectively, while the residual amount relates to taxation on profit for the year of the subsidiaries B&B Italia USA Inc. and B&B Asia Pacific Limited.

NET PROFIT FOR THE YEAR

The Group posted a net profit for the year of €4,364 thousand.

Novedrate, 30 March 2017

On behalf of the board of directors
The Chairman

Giorgio Busnelli

Profit and loss account reclassified in compliance with the new reporting standards Annex 1

B&B Italia Group

€'000	2015 Approved	Reclassifications	2015 Restated
Profit and loss account			
A) PRODUCTION REVENUES	**45,275**	**475**	**45,750**
1. Turnover from sales and services	46,499		46,499
2. Change in work in progress, semi-finished products and finished goods	-2,781		-2,781
3. Change in contract work in progress	1,086		1,086
4. Internal work capitalised			
5. Other revenues and income	471	475	946
B) PRODUCTION COST	**-44,102**	**-436**	**-44,538**
6. Raw materials, consumables, supplies and goods	-14,450		-14,450
7. Services	-11,958		-11,958
8. Use of third party assets	-996		-996
9. Personnel expenses	-7,700		-7,700
a) wages and salaries	-5,543		-5,543
b) social security contributions	-1,677		-1,677
c) employees' leaving entitlement	-328		-328
d) pension and similar costs			
e) other costs	-152		-152
10. Amortisation, depreciation and write-downs	-7,801		-7,801
a) amortisation of intangible fixed assets	-4,523		-4,523
b) depreciation of tangible fixed assets	-906		-906
c) other write-downs of fixed assets	-2,163		-2,163
d) write-downs of current receivables and liquid funds	-209		-209
11. Change in raw materials, consumables, supplies and goods	-776		-776
12. Provisions for risks	-5		-5
14. Other operating costs	-416	-436	-852
Operating profit	**1,173**	**39**	**1,212**
C) NET FINANCIAL INCOME	**-1,346**		**-1,346**
15. Income from investments			
16. Other financial income:			
a) from financial receivables classified as fixed assets			
c) from securities classified as current assets which are not equity investments			
d) other income	9		9
17. Interest and other financial charges	-1,355		-1,355
17.4 Other	-1,711		-1,711
17bis. Net exchange rate gains	356		356
D) ADJUSTMENTS TO FINANCIAL ASSETS	**-99**		**-99**
18. Write-backs			
a) investments			
19. Write-downs			
a) investments	-99		-99
E) NET EXTRAORDINARY INCOME/(EXPENSE)	**39**	**-39**	**—**
20. Income	475	-475	—
21. Expense	-436	436	—
PRE-TAX LOSS	**-233**	—	**-233**
22. Income taxes	-1,130		-1,130
Current taxes	-2,423		-2,423
Deferred taxes	1,293		1,293
NET LOSS FOR THE YEAR	**-1,363**		**-1,363**
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS			
23. NET LOSS FOR THE YEAR PERTAINING TO THE GROUP	**-1,363**		**-1,363**

Annex 2

Deferred tax assets and liabilities and related effects:

	DECEMBER						
	Temporary differences	IRES rate	IRES taxation	Temporary differences	IRAP rate	IRAP taxation	Total taxation*
Deferred tax assets							
		24.0%			3.90%		
Provision for bad debts	3,365		808	—			808
Provision for the write-down of inventory	4,802		1,152	—			1,152
Provisions for risks and charges	1,613		387	1,613		63	450
Amortisation of goodwill	121		29	121		5	34
Agents' termination indemnity	1,056		253	1,326		52	305
Write-down of a building held for sale	2,163		519	—			519
Other taxable items	2,740		658	—			658
Derivatives	2,558		614	—			614
Deferred tax assets of subsidiaries							2,064
Deferred tax assets resulting from consolidation entries							
	18,418		**4,420**	**3,060**		**119**	**6,604**
Deferred tax liabilities							
Gains on sale of fixed assets		24.0%			3.90%		
Amortisation and depreciation resulting the merger (land, buildings and trademarks)	100,303		24,073	100,303		3,912	27,985
Year-end translation adjustments	180		43	—		—	43
Leased assets as per IAS 17							62
	100,483		**24,116**	**100,303**		**3,912**	**28,090**

* Including €614 thousand of deferred tax assets not shown in the profit and loss account but recognised in the equity reserve "hedging reserve".

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Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
B&B Italia S.p.A. (formerly Durini 14 S.p.A.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the B&B Italia Group (formerly the Durini 14 Group, the "group"), which comprise the balance sheet as at 31 December 2016, the profit and loss account and cash flow statement for the year then ended and notes thereto.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma
Perugia Pescara Roma Torino
Treviso Trieste Varese Verona

Società per azioni
Capitale sociale
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Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance for the year then ended in accordance with the Italian regulations governing their preparation.

Como, 12 April 2017

KPMG S.p.A.

Umberto Scaccabarozzi
Director of Audit

B&B Italia Group

Consolidated financial statements as at and for the year ended 31 December 2015

€'000	31/12/15	31/12/14	Change Dec. 2015 - Dec. 2014
Consolidated balance sheet			
A) SHARE CAPITAL PROCEEDS TO BE RECEIVED			
B) FIXED ASSETS, with separate mention of those held under finance lease	**35,848**	**37,620**	**-1,772**
I. INTANGIBLE FIXED ASSETS	4,998	5,383	-385
1. Start-up and capital costs		3	-3
2. Research, development and advertising costs			
3. Industrial patents and intellectual property rights	2,867	2,514	353
4. Concessions, licences, trademarks and similar rights	75	58	17
5. Goodwill			
6. Assets under development and payments on account	995	1,433	-438
7. Other	1,061	1,375	-314
II. TANGIBLE FIXED ASSETS	30,795	32,062	-1,267
1. Land and buildings	27,273	27,257	16
2. Plant and machinery	2,065	2,659	-594
3. Industrial and commercial equipment	990	1,031	-41
4. Other assets	453	516	-63
5. Assets under construction and payments on account	14	599	-585
III. FINANCIAL FIXED ASSETS	55	175	-120
1. Investments	52	99	-47
b) subsidiaries			
b) associates	52		52
c) other		99	-99
2. Financial receivables	3	76	-73
4. Own shares			
C) CURRENT ASSETS	**99,557**	**93,461**	**6,096**
I. INVENTORY	31,694	38,257	-6,563
1. Raw materials, consumables and supplies	13,442	12,467	975
2. Work in progress and semi-finished products	3,432	3,020	412
3. Contract work in progress	7,698	16,331	-8,633
4. Finished goods	6,764	5,674	1,090
5. Payments on account	358	765	-407
II. RECEIVABLES	35,116	38,657	-3,541
1. Trade receivables	21,798	24,082	-2,284
* due within one year	21,798	24,082	-2,284
2. From subsidiaries			
* due within one year			
3. From associates	877	995	-118
* due within one year	877	995	-118
4-bis) Tax receivables	6,652	7,690	-1,038
* due within one year	5,575	6,613	-1,038
* due after one year	1,077	1,077	
4-ter. Deferred tax assets	4,931	4,870	61
* due within one year	4,931	4,870	61
* due after one year			
5. From others	858	1,020	-162
* due within one year	457	620	-163
* due after one year	401	400	1
III. CURRENT FINANCIAL ASSETS			
1. Investments in subsidiaries			
6. Other securities			
IV. LIQUID FUNDS	28,747	10,384	18,363
1. Bank and postal accounts	28,719	10,354	18,365
2. Cheques on hand			
3. Cash-in-hand and cash equivalents	28	30	-2
V. ASSETS HELD FOR SALE	4,000	6,163	-2,163
D) PREPAYMENTS AND ACCRUED INCOME	**2,122**	**1,036**	**1,086**
TOTAL ASSETS	**137,527**	**132,117**	**5,410**

€'000	31/12/15	31/12/14	Change Dec. 2015 - Dec. 2014
A) NET EQUITY	**67,203**	**51,376**	**15,827**
I. SHARE CAPITAL	12,006	12,006	
II. SHARE PREMIUM RESERVE	24,640	24,640	
III. REVALUATION RESERVE	15,172	15,172	
IV. LEGAL RESERVE	2,401	2,401	
V. RESERVE FOR OWN SHARES IN PORTFOLIO			
VII. OTHER RESERVES	-4,659	-4,772	113
VIII. RETAINED EARNINGS (LOSSES CARRIED FORWARD)	1,929	-11,556	13,485
IX. NET PROFIT FOR THE YEAR	15,714	13,485	2,229
TOTAL NET EQUITY PERTAINING TO THE GROUP	**67,203**	**51,376**	**15,827**
SHARE CAPITAL AND RESERVES OF MINORITY INTERESTS			
B) PROVISIONS FOR RISKS AND CHARGES	**1,952**	**2,884**	**-932**
1. Pension and similar provisions	1,262	1,323	-61
2. Tax provision, including deferred tax liabilities	120	182	-62
3. Other provisions	570	1,379	-809
C) EMPLOYEES' LEAVING ENTITLEMENT	**3,134**	**3,359**	**-225**
D) PAYABLES	**63,580**	**73,293**	**-9,713**
1. Bonds			
* due after one year			
3. Shareholder loans			
* due within one year			
* due after one year			
4. Bank loans and borrowings		6,348	-6,348
* due within one year		6,348	-6,348
* due after one year			
5. Loans and borrowings from other financial backers	11	73	-62
* due within one year	11	66	-55
* due after one year		7	-7
6. Payments on account	23,078	24,762	-1,684
* due within one year	23,078	24,762	-1,684
7. Trade payables	31,746	33,424	-1,678
* due within one year	31,746	33,424	-1,678
9. Payables to subsidiaries			
* due within one year			
10. Payables to associates			
* due within one year			
12. Tax payables	3,945	1,967	1,978
* due within one year	3,945	1,967	1,978
* due after one year			
13. Social security charges payable	1,933	1,844	89
* due within one year	1,933	1,844	89
14. Other payables	2,867	4,875	-2,008
* due within one year	2,867	4,875	-2,008
* due after one year			
E) ACCRUED EXPENSES AND DEFERRED INCOME	**1,658**	**1,206**	**452**
TOTAL LIABILITIES	**137,527**	**132,117**	**5,410**
MEMORANDUM AND CONTINGENCY ACCOUNTS	**5,115**	**15,117**	**-10,002**

€'000	2015	2014	Change 2015 - 2014
Consolidated profit and loss account			
A) PRODUCTION REVENUES	**165,453**	**160,444**	**5,009**
1. Turnover from sales and services	170,005	154,280	15,725
2. Change in work in progress, semi-finished products and finished goods	1,429	197	1,232
3. Change in contract work in progress	-8,633	4,550	-13,183
4. Internal work capitalised			
5. Other revenues and income	2,652	1,417	1,235
B) PRODUCTION COST	**-142,136**	**-147,600**	**5,464**
6. Raw materials, consumables, supplies and goods	-53,310	-50,349	-2,961
7. Services	-45,521	-58,880	13,359
8. Use of third party assets	-5,767	-5,405	-362
9. Personnel expenses	-28,606	-27,318	-1,288
a) wages and salaries	-20,829	-20,014	-815
b) social security contributions	-6,116	-5,782	-334
c) employees' leaving entitlement	-1,180	-1,135	-45
d) pension and similar costs			
e) other costs	-481	-387	-94
10. Amortisation, depreciation and write-downs	-8,221	-5,760	-2,461
a) amortisation of intangible fixed assets	-2,393	-2,242	-151
b) depreciation of tangible fixed assets	-3,334	-3,033	-301
c) other write-downs of fixed assets	-2,163		
d) write-downs of current receivables and liquid funds	-331	-485	154
11. Change in raw materials, consumables, supplies and goods	976	1,819	-843
12. Provisions for risks	-187	-270	83
14. Other operating costs	-1,500	-1,437	-63
Operating profit	**23,317**	**12,844**	**10,473**
C) NET FINANCIAL INCOME	**250**	**1,437**	**-1,187**
15. Income from investments			
16. Other financial income:	56	43	13
a) from financial receivables classified as fixed assets			
c) from securities classified as current assets which are not equity investments			
d) other income	56	43	13
17. Interest and other financial charges	194	1,394	-1,200
17.4 Other	-43	-473	430
17bis. Net exchange rate gains	237	1,867	-1,630
D) ADJUSTMENTS TO FINANCIAL ASSETS	**-99**	**-126**	**27**
18. Write-backs			
a) investments			
19. Write-downs	-99	-126	27
a) investments	-99	-126	27
E) NET EXTRAORDINARY INCOME	**3**	**4,875**	**-4,872**
20. Income	488	5,399	-4,911
21. Expense	-485	-524	39
PRE-TAX PROFIT	**23,471**	**19,030**	**4,441**
22. Income taxes	-7,757	-5,545	-2,212
Current taxes	-7,495	-4,935	-2,560
Deferred taxes	-262	-610	348
NET PROFIT FOR THE YEAR	**15,714**	**13,485**	**2,229**
NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERE			
23. NET PROFIT FOR THE YEAR PERTAINING TO THE GROUP	**15,714**	**13,485**	**2,229**

Changes in net equity pertaining to the group for the years ended 31 December 2015 and 31

€'000	Share capital	Share premium reserve	Revaluation reserve	Legal reserve
Net equity pertaining to the group at 31/12/2013	12,006	24,640	15,172	2,401
Allocation of 2013 net profit				
Reserve for own shares in portfolio				
Distribution of dividends				
Change in translation reserve				
Rounding				
Net profit for the year				
Net equity pertaining to the group at 31/12/2014	**12,006**	**24,640**	**15,172**	**2,401**
Allocation of 2014 net profit				
Change in translation reserve				
Rounding				
Net profit for the year				
Net equity pertaining to the group at 31/12/2015	**12,006**	**24,640**	**15,172**	**2,401**

CASH FLOW STATEMENT SHOWING CHANGES IN FINANCIAL POSITION IN TERMS OF LIQUIDITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 OF THE B&B ITALIA GROUP

€'000	2015	2014
Cash flow statement		
A. Cash flows from operating activities (indirect method)		
Net profit for the year	**15,714**	**13,485**
Income taxes (current and deferred)	7,757	5,545
Interest expense	13	430
(Dividends)		
(Gains)/losses on the sale of assets		(4,687)
1. Profit for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**23,484**	**14,773**
Adjustments for non-monetary items that do not affect net working capital:		
Amortisation of intangible fixed assets	2,371	2,242
Depreciation of tangible fixed assets	3,356	3,033
Accruals to provisions	1,480	2,231
Accruals to provisions for write-downs of investments	99	126
Other adjustments for non-monetary items	2,163	
2. Cash flows before changes in net working capital	**9,469**	**7,632**
Decrease (increase) in inventory	6,563	(5,373)
Decrease (increase) in trade receivables and receivables from group compani	2,402	(1,232)
Decrease (increase) in tax receivables—excluding direct taxes -	1,071	(1,335)
Decrease (increase) in receivables from others	162	396
Decrease (increase) in prepayments and accrued income	(1,088)	178
Increase (decrease) in trade payables and payables to group companies	(1,678)	6,283
Increase (decrease) in payments on account from customers	(1,684)	3,629
Increase (decrease) in tax payables—excluding direct taxes	(625)	64
Increase (decrease) in social security charges payable	89	(196)
Increase (decrease) in other payables	(2,008)	2,429
Increase (decrease) in accrued expenses and deferred income	455	942
Other changes in net working capital		(13)
3. Cash flows after changes in net working capital	**3,659**	**5,772**
Other adjustments		
Interest collected/paid	(13)	(428)
(Income taxes paid)	(5,386)	(5,882)
Dividends collected (Utilisation of provisions)	(2,637)	(1,821)
4. Cash flows after other adjustments	**(8,036)**	**(8,131)**
Cash flows from operating activities (A)	**28,576**	**20,046**
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(2,094)	(2,634)
Disinvestments		11
Intangible fixed assets		
(Investments)	(1,905)	(1,289)
Disinvestments	2	2
Financial fixed assets		
(Investments)	(52)	(16)
Disinvestments		6,240

€'000	2015	2014
Cash flow statement		
Current financial assets		
(Investments)	73	
Disinvestments		
Other changes due to translation of foreign currency items	(76)	(81)
Acquisition or sale of subsidiaries or business units net of liquid funds		
Cash flows from (used in) investing activities (B)	**(4,052)**	**2,233**
Third party funds		
Decrease in short-term bank loans and borrowings	(448)	(2,170)
Decrease in short-term loans and borrowings from other financial backers	(62)	(163)
New loans		
Repayment of loans	(5,900)	(20,700)
Own funds		
Cancellation of own shares in portfolio		11,360
Cancellation of reserve for own shares in portfolio		(11,360)
Distribution of dividends not yet paid at 31 December 2014?		(2,200)
Capital increase against payment		
Sale (repurchase) of own shares		
Dividends (and interim dividends) paid		
Other changes in net equity	249	377
Cash flows used in financing activities (C)	**(6,161)**	**(24,856)**
Increase (decrease) in liquid funds (A+B+C)	**18,363**	**(2,577)**
OPENING LIQUID FUNDS	**10,384**	**12,961**
CLOSING LIQUID FUNDS	**28,747**	**10,384**
INCREASE (DECREASE) IN LIQUIDITY	**18,363**	**(2,577)**

2015 ANNUAL REPORT

NOTES

Introduction

The consolidated financial statements at 31 December 2015 have been prepared to give a true and fair view of the B&B Italia and its subsidiaries (the "Group") financial position and results of operations.

Format and content of the consolidated financial statements

The Group is a leading manufacturer and distributor, in Italy and abroad, of sofas and armchairs and interior decor, as well as contract supplier.

Reference should be made to the directors' report for information on the nature of the Group's business, transactions with associates and related parties, subsequent events, outlook and risk management.

The consolidated financial statements of the B&B Italia Group at 31 December 2015 have been drawn up by the directors of the parent, B&B Italia S.p.A., pursuant to Legislative decree no. 127 of 9 April 1991, implementing the VII directive of the Council of the European Community, integrated by and interpreted in the context of the reporting standards promulgated by the Italian Accounting Standard Setter (OIC).

The consolidated financial statements, comprising a balance sheet, a profit and loss account and these notes, have been prepared based on the financial statements of the consolidated subsidiaries. Such financial statements have been restated in order to align them with the Group accounting policies set out below. The balance sheet and profit and loss account include corresponding 2014 figures for each caption, which have been reclassified where necessary if not comparable. The related circumstances for these reclassifications are described in the notes.

The Group has prepared a cash flow statement to provide more information about its financial position. This schedule shows increases and decreases in liquid funds during the year and has been prepared using the indirect method and the layout required by OIC 10 with comparative prior year figures.

Amounts are expressed in thousands of Euros.

Consolidation scope

The 2015 consolidated financial statements of the Group include the financial statements of the parent, B&B Italia S.p.A., and the subsidiaries B&B Italia USA Inc., B&B Italia London Ltd, B&B Italia Muenchen GmbH, B&B Italia Asia Pacific Limited, B&B Italia Contract France Sas and B&B Italia Project Contract S.r.l.. The reporting date for all companies in the consolidation scope is 31 December.

The financial statements of all companies in the consolidation scope are approved by their respective boards of directors.

A list of the consolidated companies is given below:

NAME €'000	REGISTERED OFFICE	SHARE/QUOTA CAPITAL		% OF OWNERSHIP
Parent				
B&B Italia S.p.A.	Milan	€12,006		
Subsidiary				
B&B Italia USA Inc.	New York	US$	10	100%
B&B Italia Muenchen GmbH	Munich	€	150	100%
B&B London Ltd	London	£	500	100%
B&B Italia Asia Pacific Limited	Hong Kong	HK$	1	100%
B&B Italia Contract France Sas	Paris	€	30	100%
B&B Italy Contract Project S.r.l.	Milan	€	10	100%

Minority interests, other non-significant investments in investees with a business object differing from that of the Group and investments held to be non-strategic or of a short-term nature are excluded from the consolidation scope.

Consolidation criteria and accounting policies

Consolidation criteria

Consolidated balance sheet figures, as well as consolidated income and expenses, reflect the amounts stated in the financial statements of the consolidated companies adjusted, where necessary, to align them with the following consolidation criteria.

The assets and liabilities of consolidated companies are recognised on a line-by-line basis, eliminating the carrying amount of consolidated investments against the related portion of net equity. Under the line-by-line consolidation method, the carrying amount of investments is eliminated against the related net equity of subsidiaries. Any residual amount, if negative, is recognised in a consolidation reserve. If positive, it is recognised under goodwill arising on consolidation and amortised proportionately to the expected related profitability of each company.

If such difference does not correspond to an actual greater value of the investment and is due to losses carried forward by the company, it is deducted from the "Other reserves" in consolidated net equity.

With respect to the elimination of consolidated investments, where possible, the portion of net equity pertaining to minority interests is stated under the balance sheet caption "Share capital and reserves of minority interests".

The portion of net profit/loss for the year pertaining to minority interests is also shown under "Net profit/loss for the year pertaining to minority interests".

Receivables and payables, income and expenses arising from transactions among consolidated companies are eliminated.

Where possible, the closing inventory balance is net of profits from the sale of Group goods still held by consolidated companies at year end and not yet realised with third parties.

Gains or losses arising on the sale of operating assets among consolidated companies are eliminated. The related depreciation plan is also restated.

Intragroup transactions are written off, eliminating the related benefits.

Dividends received from investees, recognised in the profit and loss account of the parent, are eliminated under consolidation together with the related tax benefits.

The balance sheet captions of the foreign investees prepared in foreign currency are translated into Euros using the exchange rate ruling on 31 December 2015. For profit and loss account captions, the average exchange rate of the year is applied. In particular:

			Average	
EXCHANGE RATES	31/12/2015	31/12/2014	2015	2014
US$	1.09	1.21	1.11	1.33
£	0.73	0.78	0.73	0.81
HK$	8.43	9.42	8.6	10.3

Translation differences are recognised in the specific net equity reserve "Translation reserve".

Deferred taxes are recognised on consolidation adjustments.

Basis of preparation

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis and considering the economic function of each asset and liability item.

Under the prudence principle, the Group measures the individual assets and liabilities separately, in order to avoid offsetting losses that should be recognised against unrealised profits that should not be recognised. Specifically, the Group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

In accordance with accruals-based accounting, the Group recognises the effects of transactions in the year to which the transaction relates rather than that in which the related collections and payments occur.

The accounting policies have not changed substantially from the previous year.

No exceptional events took place during the year, which would have led the Group to depart from the accounting policies, as permitted by article 2423.4 of the Italian Civil Code, in order to give a true and fair view of its financial positions and results of operations. Moreover, the Group did not make any revaluations under specific laws.

The preparation of financial statements requires making estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not related to errors, are recognised in the profit and loss account when they become necessary and appropriate, if they affect just one year, and also in the following years, if they affect both the current and following years.

The above basis of preparation and accounting policies adopted and described below are those ruling at the reporting date and do not take account of the changes in legislation introduced by Legislative decree no. 139/2015, which will apply in the consolidated financial statements at 31 December 2016.

In particular, the accounting policies adopted are set out below.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at acquisition or production cost. They include all direct or indirect costs which can be reasonably allocated thereto, net of accumulated amortisation.

Intangible fixed assets are amortised on a straight-line basis to reflect their residual income-generating potential.

The amortisation criteria and/or rates applied have not varied from the previous year.

More precisely, intangible fixed assets are amortised over five years, except for "goodwill" and "goodwill arising on consolidation" which are amortised over ten years from the recognition date considering the expected related profitability.

Software is amortised on the basis of its useful life from three to five years.

The board of statutory auditors gave its approval for recognising figures, where required.

Assets under development are stated at cost and include direct and indirect costs, for the part that can be reasonably allocated to the asset.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at acquisition or production cost, include directly related charges and are increased for monetary revaluations in accordance with Laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, no. 413 of 30 December 1991 and no. 342 of 21 November 2000. Moreover, they are adjusted to reflect accumulated depreciation.

If the asset is impaired, it is written down accordingly and reinstated to its original value if the reasons for the impairment no longer exist in future years.

At 31 December 2008, "buildings used for operating purposes" were revalued at historical cost to align the carrying amounts with their estimated market value pursuant to Law decree no. 185 of 29 November 2008 converted into Law no. 2 of 28 January 2009.

Depreciation is charged to the profit and loss account and calculated on a straight-line basis applying rates which reflect the assets' estimated residual useful life. For assets purchased during the year, the rate is reduced to 50% on a pro-rata basis.

The depreciation rates applied to the main groupings of assets are set out below:

Buildings	3%
Light constructions	10%
Machinery	12%
Equipment	25%
Mobile radio system	20%
Vehicles	20%
Furniture and fittings	12%
Electronic office equipment	20%

The depreciation criteria applied have not varied from the previous year.

Ordinary maintenance and repair costs are charged to the profit and loss account in the year in which they are incurred. Extraordinary maintenance costs increasing the value of assets are capitalised. Assets under construction are stated at cost and include direct and indirect costs, for the part that can be reasonably allocated to the asset.

Assets under finance lease are classified under tangible fixed assets. Depreciation and financial charges are recognised on an accruals basis and calculated in accordance with the Italian accounting principle for the preparation of consolidated financial statements (OIC 17) and IAS 17.

WRITE-DOWNS FOR IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE FIXED ASSETS

Pursuant to OIC 9, if, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

Value in use is calculated considering the present value of the future cash flows expected to be generated by the use of the asset, as per the most recently approved business plans by the board of directors.

Future cash flows are estimated for the asset in its current condition. Therefore, they do not include estimated future cash inflows or outflows that are expected to arise from a future restructuring to which the Group is not yet committed or improving or enhancing the asset's performance.

Fair value is determined based on the price agreed in a binding sales agreement in an orderly transaction, or as market price on an active market. If there is no binding sales agreement or active market, fair value is determined on the basis of the best available information such to reflect the amount the Group could obtain, at the reporting date, from the sale of the asset in an orderly transaction between knowledgeable and willing parties. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal are subtracted from fair value in the calculation of the recoverable amount.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down.

FINANCIAL FIXED ASSETS

Investments in associates are measured using the equity method.

Investments in other companies are stated at acquisition or subscription cost, increased for any ancillary costs and written down in the case of impairment.

RECEIVABLES

Receivables are recognised under fixed or current assets depending on their intended use in relation to the Group's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date.

INVENTORY

Inventory, made up of replaceable items, is valued at acquisition cost calculated using the average cost method in compliance with article 2426 of the Italian Civil Code.

Semi-finished products, work in progress and finished goods are measured at the lower of production cost (being the sum of costs for raw materials, direct labour costs of the year, direct and indirect industrial costs and the depreciation of operating assets) and their estimated realisable value based on market trends.

Contract work in progress, made up of some Contract Division contracts, are measured on a percentage of completion basis whereby contract costs, revenues and profits or losses are

recognised in line with the percentage of completion of the contract, calculated using the cost-to-cost method.

This method reflects the best estimate of work performed at the reporting date. The underlying assumptions are updated regularly. Any resulting profits or losses are recognised in the profit and loss account when the update is made.

Contract revenues include all contractual consideration, approved variations to work, price escalation clauses, claims and incentives to the extent they can be measured reliably.

Contract costs include all costs directly attributable to the contract, to the contract work in general and attributable thereto, as well as any other costs that may be specifically charged to the customers under the contract terms. They also include pre-operating costs, i.e., those costs incurred in the initial stage of the contract before the commissioned work begins, post-operating costs, i.e., those incurred after the closure of the contract, and costs for any services to be carried out after the completion of the contract.

When the Group is unable to estimate the outcome of a contract reliably, its carrying amount is calculated on the basis of the costs incurred, if their recovery is reasonably certain, without recognising any profit.

Contract work in progress is stated net of any accumulated write-downs and/or losses to complete. Conversely, advances and payments on account are financial items that do not contribute to revenues and are always recognised as liabilities as they are not received for work that has already been carried out.

When the total estimated costs of an individual contract are likely to exceed total estimated revenues, the probable loss to complete the contract is recognised as a decrease in contract work in progress when it is forecast, based on an objective and reasonable assessment of the existing circumstances and regardless of the contract's stage of completion. If the loss exceeds the carrying amount of contract work in progress, the excess is accrued in a provision for risks and charges.

RECEIVABLES AND PAYABLES

Receivables are stated at their estimated realisable value, using the specific provision for bad debts, while payables are stated at nominal amount.

Receivables and payables in foreign currency are stated at year-end rates. Any resulting differences from the related carrying amount, increase/decrease the individual asset or liability captions and are recognised as financial income or charges.

Any exchange rate gain is accrued in a specific net equity reserve which becomes distributable when the related gain is realised.

Receivables are duly adjusted through the provision for bad debts, as indicated in the relevant note, and are determined based on an analysis of the debtors' creditworthiness, considering any bankruptcy proceedings underway and expected future losses. The Group also makes a general write-down based on the average effect of the bad debts on turnover.

LIQUID FUNDS

Liquid funds are made up of amounts held in bank current accounts and on hand at year end. They are stated at nominal amount which coincides with their realisable value.

Liquid funds in foreign currency are translated at the closing rates.

ASSETS HELD FOR SALE

Tangible fixed assets held for sale have been reclassified to this caption in accordance with OIC 16. Such assets are measured at the lower of cost, net of related accumulated depreciation, and the estimated realisable value. They are no longer depreciated.

PREPAYMENTS AND ACCRUED INCOME, ACCRUED EXPENSES AND DEFERRED INCOME

Accrued income and expense are respectively portions of income and expenses pertaining to the year but that will be collected/paid in subsequent years.

Prepayments and deferred income are respectively portions of expenses and income collected/paid during the year but pertaining to one or more subsequent years.

Accordingly, these captions comprise only portions of expense and income relating to two or more years, whose amount varies on a time or economic accruals basis.

At each year end, the Group analyses the conditions underlying their initial recognition and makes any necessary adjustments. Specifically, the balance of accrued income varies not only over time, but also based on its expected realisable value, whereas that of prepayments is based on the existence of future economic benefits matching the deferred costs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature.

The amount of the accruals to the provisions is based on the best estimate of costs, including the legal expenses, at each reporting date and is not discounted. If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

In particular, the provision for agents' termination indemnity is calculated in accordance with the regulations set out in national labour contracts.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account and partial advances paid by virtue of national or individual labour contracts or internal agreements which are not required to be repaid. The related liability is the amount that the Group would have paid had all employees left at the reporting date. The amount due to employees who had already left the Group at the reporting date but that will be paid in the following year are reclassified to payables.

PAYABLES

Payables are recognised at their nominal amount.

MEMORANDUM AND CONTINGENCY ACCOUNTS

These are mainly made up of commitments for lease payments, sureties, bank guarantees and exchange rate hedging instruments.

The memorandum and contingency accounts show the Group's guarantees and commitments, third party assets with the Group and Group assets with third parties. They do not include items that have already been recognised in the balance sheet, profit and loss account and/or notes, such as Group assets with third parties.

Guarantees are included in the memorandum and contingency accounts at their value or, if this has not been calculated, using the best estimate of the risk taken on given the situation at that time. Commitments are recognised at their nominal amount, while unquantifiable commitments are commented on in the notes to the financial statements. Third party assets with the Group are presented at their nominal amount, market value or the value obtained from the existing documentation, depending on the type of asset.

REVENUE RECOGNITION

Revenues, net of any returns, discounts, allowances, premiums and directly related taxes, are recorded upon the delivery or shipment of goods or the performance of services.

Revenues generated by long-term contracts are recognised upon completion of the contract and measured on a percentage of completion basis.

FOREIGN CURRENCY TRANSACTIONS, ASSETS AND LIABILITIES

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount.

Foreign currency items are translated at the spot exchange rates ruling at year end, and the related gains and losses are taken to the profit and loss account.

Non-monetary foreign currency assets and liabilities are maintained in the balance sheet at the exchange rate ruling at their date of purchase; consequently, the exchange rate gains and losses are not recognised separately.

Any net gain deriving from the exchange rate adjustment of the foreign currency monetary items forms part of the net profit or loss for the year; on the approval of the financial statements and consequent allocation of the net profit or loss for the year, any amount not used to cover any loss for the year is recognised in a specific reserve.

INCOME TAXES

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date.

The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have been not claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable.

Deferred tax assets and liabilities are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred taxes related to transactions that directly affect net equity are not recognised in the profit and loss account but are initially recognised in the provisions for risks and charges by reducing the matching net equity caption.

Deferred tax assets and liabilities are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date.

Deferred tax assets on deductible temporary differences and on the benefit connected with the carry forward tax losses are recognised and maintained only when their future recoverability is reasonably certain, through the availability of future taxable profits against which the deferred tax assets may be used or the availability of sufficient taxable temporary differences to recover them in the years in which they reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

The notes present a schedule of the temporary differences which led to the recognition of deferred tax assets and liabilities, specifying the rate applied, changes over the previous year, amounts taken to the profit and loss account or equity, captions excluded from the calculation, the amount of deferred tax assets recognised on net losses for the current or previous years and the amount of taxes not yet recognised.

POST-BALANCE SHEET EVENTS

There are no post-balance sheet events with an impact on the Consolidated Financial Statements ended 31 December 2015.

NOTES TO THE MAIN ASSET CAPTIONS

B I) INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets with respect to the previous year end are as follows:

€'000	31/12/15	31/12/14	Change
Start-up and capital costs	—	3	-3
Industrial patents and intellectual property rights	2,867	2,514	353
Concessions, licences, trademarks and similar rights	75	58	17
Other	1,061	1,375	-314
Assets under development	995	1,433	-438
Total	**4,998**	**5,383**	**-385**

The changes are analysed as follows:

	€'000
Increases	1,905
Decreases	-2
Amortisation	-2,371
Translation differences	83
Total	**-385**

The main increases of the parent relate to "Industrial patents and intellectual property rights" and "Assets under development" following the capitalisation of costs for the integration/ completion of the ERP system.

Assets under development at 31 December 2015 relate to the cost of implementing the third part of the new ERP system for the Contract Division, which should be rolled out in 2016.

The increases related to "Other" mainly consist of leasehold improvements.

The main increases of the subsidiary B&B Italia USA Inc., amounting to €1,268 thousand, relate to costs for restructuring work in progress on the new show room.

B II) TANGIBLE FIXED ASSETS

Tangible fixed assets underwent the following changes:

€'000	31/12/15	31/12/14	Change
Land and buildings	27,273	27,257	16
Plant and machinery	2,065	2,659	-594
Industrial and commercial equipment	990	1,031	-41
Other assets	453	516	-63
Assets under construction and payments on account	14	599	-585
Total	**30,795**	**32,062**	**-1,267**

The changes are analysed as follows:

	€'000
Increases	2,071
Decreases	23
Depreciation	-3,356
Translation differences	-5
Total	**-1,267**

The main increases relate the costs capitalised by the parent to complete the extension of the Misinto production facility and to purchase moulds for manufacturing new products as well as machinery and equipment.

B III) FINANCIAL FIXED ASSETS

Investments

Investments in associates and other companies totalled €52 thousand at year end (31 December 2014: €99 thousand).

They relate to investments in associates and can be analysed as follows:

€'000	%	31/12/2014	Increases	(Write-downs) Write-backs	31/12/2015
Investments:					
Associates					
SMB Sarl—Paris	46	—			—
B&B Italy Middle East Design and Furniture LLC	49	—	52		52
Total		**—**	**52**		**52**
Provision for risks - associates					
SMB Sarl—Paris	46	(115)	—	115	—
Total associates		**(115)**	**—**	**115**	**—**
Other					
Emme Esse S.p.A.—Rome		31		(31)	—
Associazione Altagamma—Milan		16		(16)	—
Golf Tolcinasco S.r.l.—Pieve Emanuele		49		(49)	—
Associazione Indicam—Milan		1		(1)	—
Team ZERO		2		(2)	—
Total other		**99**		**(99)**	**—**
Total		**99**	**52**	**16**	**52**

The associate B&B Italy Middle East Furniture and Design LLC was set up in early 2015 in order to develop the Contract Division's business locally.

Reference should be made to the section on "Net extraordinary income" of the profit and loss account for information on the investment in the associate SMB Sarl.

Pursuant to article 10 of Law no. 72 of 19 March 1983 and article 2427 of the Italian Civil Code, it is noted that no economic or monetary revaluations were carried out on the parent's investments held at 31 December 2015.

Furthermore, no companies or entities are owned through trustees and/or nominees.

Investments in associates:

€'000

REGISTERED OFFICE	SHARE/QUOTA CAPITAL in foreign currency		NET DEFICIT	NET LOSS FOR THE YEAR	OWNERSHIP %
Associates					
SMB Sarl—Paris	€50,000	31/12/14*	-249	-275	46
B&B Italy Middle East Design and Furniture LLC—Doha	Qar 200,000	31/12/15**	-439	-489	49
Total					

* Most recently approved financial statements at 31 December 2014
** Draft financial statements at 31 December 2015

Financial receivables

Financial receivables amount to €3 thousand (31 December 2014: €76 thousand).

CURRENT ASSETS

C I) INVENTORY

Inventory includes raw materials, semi-finished products, finished goods and payments on account.

€'000	31/12/15	31/12/14	Change
Raw materials, consumables and supplies	13,442	12,467	975
Work in progress and semi-finished products	3,432	3,020	412
Contract work in progress	7,698	16,331	-8,633
Finished goods	6,764	5,674	1,090
Payments on account	358	765	-407
Total	**31,694**	**38,257**	**-6,563**

The most significant change relates to the completion of a Hospitality contract by the parent.

At 31 December 2015, the provision for the write-down of inventory amounted to €4,163 thousand (31 December 2014: €4,296 thousand), of which €1,480 thousand for raw materials, €372 thousand for semi-finished products and €2,311 thousand for finished goods. Changes in the provision are as follows:

	€'000
Opening balance	4,296
Decreases	-2,033
Increases	1,894
Translation differences	6
Closing balance	**4,163**

The most significant decrease of €1,666 thousand relates to the disposal of raw materials and semi-finished products due to the phase-out of production at the Ascoli Piceno site.

C II) RECEIVABLES

Trade receivables

Trade receivables due within one year are related to:

€'000	31/12/15	31/12/14
Customers	21,732	22,698
Bills in portfolio	3,255	4,388
Gross receivables	**24,987**	**27,086**
Provision for bad debts	-3,198	-3,004
Net receivables	**21,789**	**24,082**

The nominal amount of such receivables has been written down to their expected realisable value through recognition of a specific provision for bad debts.

There is no concentration of significant receivables with one or few customers, with the exception of some Contract Division customers which traditionally have accounted for a significant amount of receivables.

The provision for bad debts is broken down as follows:

	€'000
Opening balance	**3,004**
Increases	331
Decreases	-140
Translation differences	3
Closing balance	**3,198**

From associates

This caption amounts to €877 thousand (31 December 2014: €995 thousand) and consists of receivables due from SMB Sarl—Paris of €541 thousand. Such receivables relate to transactions carried out on an arm's length basis.

Reference should be made to the section on "Net extraordinary income" of the profit and loss account for information on the receivable due from the associate SMB Sarl.

The €337 thousand receivable due from B&B Italy Middle East Furniture and Design LLC relates to a loan granted to this associate at market rates due within one year.

Tax receivables

They comprise:

€'000	31/12/15	31/12/14	Change
Tax receivables			
VAT receivables	2,225	3,105	-880
IRES receivables		1,224	-1,224
IRAP receivables	43	186	-143
Other	3,307	2,098	1,209
Total due within one year	**5,575**	**6,613**	**-1,038**
IRES receivables claimed for reimbursement	1,077	1,077	
Total due after one year	**1,077**	**1,077**	

"VAT receivables" mainly relate to the different proportion of the parent's sales to its purchases in 2015. They are expected to be fully settled in 2016.

The caption "Other" includes the IRES and IRAP receivables recognised by the parent after it provisionally paid the amounts set out in the tax assessment reports for 2003 to 2010, pending the relevant court decision.

Reference should be made to the note to provisions for risks and charges.

Tax receivables due after one year relate to receivables recognised by the parent following its claim for an IRES reimbursement given the non-deduction of IRAP (regional tax on productive activities) on personnel expenses for 2007 to 2011. The claim was filed on 12 March 2013. This amount is classified as due after one year as it should be collected in future years.

Deferred tax assets

These amount to €4,931 thousand (31 December 2014: €4,870 thousand) and mainly consist of the difference between the amortisation of trademarks and goodwill reinstated after allocation of goodwill, the taxed provision for bad debts, the provision for sundry risks, the provision for

the write- down of inventory and the tax effect on consolidation entries. Reference should be made to Annex 1 to the notes for further information on temporary differences generating deferred tax assets and liabilities.

These receivables are deemed to be recoverable based on the Group's profit-making prospects.

From others

The balance of this caption can be broken down as follows:

€'000	31/12/15	31/12/14
Due within one year		
Advances to suppliers	324	431
Social security institutions	39	42
Other minor	94	147
Total	**457**	**620**
Due after one year		
Guarantee deposits	401	400
Total	**401**	**400**

Guarantee deposits mainly relate to rental deposits.

C IV) LIQUID FUNDS

This caption is made up of bank current account credit balances and cash-in-hand, made up as follows:

€'000	31/12/15	31/12/14
Cash-in-hand	28	30
Bank current accounts	28,719	10,354
Total	**28,747**	**10,384**

Liquid funds include a term current account of €6,000 thousand securing a loan granted to the parent, which should be repaid in 2016.

Reference should be made to the cash flow statement (Annex 1) for changes during the year.

V) ASSETS HELD FOR SALE

"Assets held for sale" of €4,000 thousand comprise buildings and land and the related generic plant of the parent's Ascoli Piceno site (central Italy), currently unused, after its decision to sell them.

The building was written down by €2,163 thousand during the year in order to adjust its carrying amount to its estimated realisable value.

D) PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income amount to €2,122 thousand (31 December 2014: €1,036 thousand) and mainly refer to:

- accrued income of €127 thousand (31 December 2014: €20 thousand), related to costs for services;
- prepayments totalling €1,997 thousand (31 December 2014: €1,015 thousand) mainly related to lease payments, rent and maintenance, exhibitions as well as advanced costs relating to the subsidiary B&B USA Inc.

NOTES TO THE MAIN EQUITY AND LIABILITY CAPTIONS

A) NET EQUITY

The parent's share capital of €12,006 thousand, fully subscribed and paid up at year end, is divided into 1,053,864 shares without a nominal amount.

B) PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made up as follows:

€'000	31/12/15	31/12/14	Change
Pension and similar provisions	1,262	1,323	-61
Deferred tax liabilities	120	182	-62
Other provisions	570	1,379	-809
Total	**1,952**	**2,884**	**-932**

Pension and similar provisions consist of the agents' termination indemnity amounting to €1,262 thousand. Based on the relevant national agency agreements, this provision covers the contractual fees of indirect sales agents for the whole year.

During the year, accruals of €100 thousand were made thereto, while €160 thousand was used.

Deferred tax liabilities of €120 thousand include the net value of deferred tax liabilities of the parent and €93 thousand in deferred tax liabilities deriving from the consolidation adjustments.

Other provisions, amounting to €570 thousand (31 December 2014: €1,379 thousand), consist of:

- the *provision for sundry risks* of €570 thousand (31 December 2014: €541 thousand). €187 thousand was accrued to this provision in relation to pending lawsuits, while €158 thousand was used following the settlement of others.

Moreover, €115 thousand was released for the portion relating to the associate SBM Sarl following its sale in early 2016. Reference should be made to the section on net extraordinary income of the profit and loss account for further information.

The decrease in the provision for currency hedges is related to the termination of the relevant contracts hedging foreign currency receivables, in place at 31 December 2014 but not at 31 December 2015, by the parent.

Following a general tax assessment relating to 2009, the tax authorities notified the parent of findings with respect to the LBO performed in 2003, based on the alleged non-recharging of costs for financial services that the parent presumably provided to the foreign shareholder in the period from 2003 to 2010. In December 2015, the parent received the tax assessment reports for 2010.

The parent has analysed the reports with the assistance of its advisors and believes it has sound justification supporting the proper treatment it and its directors applied. Accordingly, the amount of the contingent liability has not been disclosed because it does not reflect the actual situation and the risk is considered only possible pursuant to OIC 31. No specific provision for risks has been accrued in this respect.

C) EMPLOYEES' LEAVING ENTITLEMENT

Employees' leaving entitlement has been calculated in compliance with applicable laws and contractual obligations for the parent.

The payable includes all accruals (Law no. 297/82) made for employees with the parent at year end.

Changes in this caption are as follows:

€'000	31/12/15	31/12/14
Opening balance	3,359	3,565
Increases	1,180	1,135
Decreases	-1,405	-1,341
Closing balance	**3,134**	**3,359**

The closing balance is adequate to cover the amount required by contractual obligations and relevant legislation.

Decreases include the amount transferred to the Treasury fund of the Italian Social security institution (INPS) and additional sector pension funds of €1,140 thousand, following the changes introduced by the law during the first half of 2007 (the "Pension reform").

D) PAYABLES

Bank loans and borrowings

This caption is made up as follows:

€'000	31/12/15	31/12/14	Change
Due within one year	—	6,348	-6,348
Total	**—**	**6,348**	**-6,348**

On 12 February 2015, the parent repaid the residual amount of the outstanding loan at 31 December 2014.

Loans and borrowings from other financial backers

This caption amounts to €11 thousand (31 December 2014: €73 thousand) and mainly comprises the principal for lease instalments, following the parent's recognition of assets under finance lease in accordance with IFRS.

Payments on account

The €23,078 thousand balance (31 December 2014: €24,762 thousand), mainly refers to payments on account received from customers for work in progress and contracts in the backlog at year end. The decrease is mainly due to the completion of the Hospitality contract.

Trade payables

Trade payables due within one year amount to €31,746 thousand (31 December 2014: €33,424 thousand).

This caption comprises payables to suppliers of goods and services to agents.

Tax payables

Tax payables within one year comprise:

€'000	31/12/2015	31/12/2014	Change
IRPEF payables on wages, salaries and self-employed fees	851	779	72
Indirect tax payables	366	925	-559
Direct tax payables	2,728	260	2,468
Other	—	3	-3
Total due within one year	**3,945**	**1,967**	**1,978**

Social security charges payable

The year-end balance of €1,933 thousand (31 December 2014: €1,844 thousand) refers to sums payable to social security institutions at the reporting date, subsequently paid in January and February 2016, as provided for by current laws. Furthermore, this caption includes accruals for untaken holidays and the additional month's salaries for employees.

It also includes additional and sector pension funds to be paid in January 2016 by the parent.

Other payables

The decrease in "Other payables" relates to the parent's payable to shareholders for dividends of €2,200 thousand, which were distributed in January 2015.

€'000	31/12/2015	31/12/2014	Change
Employees	2,247	2,136	111
Agents and trade associations	383	360	23
Other payables	237	2,379	-2,142
Total	**2,867**	**4,875**	**-2,008**

D) ACCRUED EXPENSES AND DEFERRED INCOME

These were recognised in line with technical/accounting regulations and on an accruals basis; they consist of outlays pertaining to the year (accrued expenses) and revenue pertaining to future years (deferred income).

In particular, accrued expenses of €453 thousand (31 December 2014: €454 thousand) mainly relate to costs for services pertaining to the year for the subsidiaries B&B Italia USA Inc. and B&B London Ltd..

Deferred income of €1,208 thousand (31 December 2014: €752 thousand) mainly relates to supplies and services to be provided in future years both by the parent and the subsidiary B&B USA Inc..

MEMORANDUM AND CONTINGENCY ACCOUNTS

Memorandum and contingency accounts and commitments amount to €5,115 thousand (31 December 2014: €15,117 thousand) and are analysed as follows:

€'000	31/12/15	31/12/14
Guarantees, sureties and endorsements		
Sureties given to third parties	4,474	7,791
Commitments		
Third party assets under operating lease		18
Rented third party assets	418	687
Currency risk hedging instruments		6,429
Third party assets held at Group warehouses	223	192
Total	**5,115**	**15,117**

"Sureties given to third parties" amount to €4,474 thousand and mainly refer to sureties given to customers for Hospitality contracts of €3,422 thousand.

The decrease in "Currency risk hedging instruments" is due to the termination of the relevant contracts hedging foreign currency receivables, in place at 31 December 2014, by the parent.

NOTES TO THE MAIN PROFIT AND LOSS ACCOUNT CAPTIONS

A) PRODUCTION REVENUES

Turnover from sales and services

Production revenues are broken down as follows:

€'000	2015	2014
Turnover from sales and services	170,005	154,280
Change in work in progress, semi-finished products and finished goods	1,429	197
Change in contract work in progress	-8,633	4,550
Other revenues and income	2,652	1,417
Total	**165,453**	**160,444**

Sales of goods are shown net of discounts, allowances and premiums.

The decrease in "Contract work in progress" is due to the completion of a Hospitality contract by the parent in 2015.

Other revenues and income relate to sundry revenues such as lease income, recharges to customers and suppliers for sundry expenses, gains and prior year items.

B) PRODUCTION COST

Raw materials, consumables, supplies and goods

Raw materials, consumables, supplies and goods refer to the supplies of materials and other assets purchased for operating purposes.

They are made up as follows:

€'000	2015	2014
Raw materials and supplies	39,978	38,012
Consumables	1,182	767
Goods	12,150	11,570
Total	**53,310**	**50,349**

The increase is entirely related to the larger purchases made by the Group in 2015.

Services

Services received from third parties are analysed as follows:

€'000	2015	2014
Production services	18,791	29,131
Commercial services	19,321	22,331
Administrative services	6,782	6,846
Other services	627	572
Total	**45,521**	**58,880**

The decrease in services is mainly related to the completion of a Hospitality contract by the parent.

Administrative services relate to, among other things, fees paid to directors of €2,464 thousand (2014: €2,763 thousand) and statutory auditors of €116 thousand (2014: €65 thousand).

The fees due to the independent auditors, KPMG S.p.A., and KPMG network member companies total €104 thousand, including €102 thousand for the legally-required audit of the annual statutory and consolidated financial statements and €2 thousand for other services.

Workforce

The workforce of the Group at 31 December 2015 and 2014, broken down by category, is shown in the following table:

	2015	2014
Managers	23	21
White collars and junior management	233	223
Blue collars and other	231	230
Total	**487**	**474**

Amortisation, depreciation and write-downs

Amortisation and depreciation for the year amount to €5,727 thousand.

Other write-downs of fixed assets

"Other write-downs of fixed assets", amounting to €2,163 thousand, relate to the parent's write-down of the building held for sale located in Ascoli Piceno in order to adjust its carrying amount to its estimated realisable value.

C) NET FINANCIAL INCOME

Other financial income

This caption amounts to €56 thousand (2014: €43 thousand) and is mainly made up of interest income on the parent's bank current accounts and on trade receivables of €30 thousand (2014: €31 thousand).

Interest and other financial charges

"Interest and other financial charges—Other" amounts to €43 thousand (2014: €473 thousand). It consists of interest expense on medium/long-term loans of €12 thousand and sundry interest and commissions totalling €31 thousand.

Net exchange rate gains

Net exchange rate gains amount to €237 thousand (2014: €1,867 thousand), reflecting the positive trend in exchange rates and related hedges agreed in the year. They also include unrealised exchange rate gains and losses of €409 thousand and €71 thousand, respectively, on the adjustment to closing rates.

D) ADJUSTMENTS TO FINANCIAL ASSETS

"Adjustments to financial assets" of €99 thousand (2014: €126 thousand) relate to the write-down of investments in other companies.

E) NET EXTRAORDINARY INCOME

Income

Other extraordinary income amounts to €488 thousand (2014: €5,399 thousand) and mainly relate to extraordinary prior year income.

The decrease on 2014 is mainly attributable to the fact that, in the previous year, the Group had earned a significant gain on the sale of 25% of the investment in the associate MOOOI BV.

Expense

Extraordinary expense amounts to €485 thousand (2014: €524 thousand) and mainly refers to the parent's prior year expense and the write-down of receivables due from the associate SMB Sarl of

€480 thousand, net of the release of the provision for risks on investments recognised in previous years of €115 thousand. These amounts reflect the conditions underlying the sale of the investment which will take place in 2016.

INCOME TAXES

Income taxes total €7,757 thousand (2014: €5,545 thousand), broken down as follows:

€'000	2015	2014	Change
Current taxes	7,495	4,935	2,560
Change in deferred tax liabilities	-62	-54	-8
Change in deferred tax assets	324	664	-340
Total	**7,757**	**5,545**	**2,212**

Current taxes relate to the parent's IRAP and IRES accruals of €926 thousand and €5,236 thousand, respectively, while the residual amount relates to taxation on profit for the year of the subsidiaries B&B Italia USA Inc. and B&B Asia Pacific Limited.

IRES taxable base calculation €'000	Taxable base	Taxation	%
Pre-tax profit as per the consolidated financial statements	23,471		
Pre-tax profit of the subsidiaries	3,153		
Pre-tax profit of the parent	20,318		
Theoretical tax charge (27.5%)		5,587	27.5%
Previous year temporary differences	-6,360	-1,749	
Temporary differences deductible in subsequent years	5,563	1,530	
Permanent differences	-484	-133	
Taxable base of the parent	**19,037**		
Income taxes		**5,235**	
Cumulative effect of foreign different tax rates			
Current taxes		**5,235**	
Reconciliation between the tax charge shown in the parent's financial statements and the theoretical tax charge (IRAP)			
Operating profit for IRAP purposes	20,193		
Theoretical tax charge		788	
Costs not relevant for IRAP purposes	3,541		
IRAP taxable base	23,734		
Taxable base		**926**	
Effective IRAP rate			3.90%

NET PROFIT FOR THE YEAR

The Group posted a net profit for the year of €15,714 thousand.

Novedrate, 22 April 2016

On behalf of the board of directors
The Chairman

Giorgio Busnelli

Annex 1
Deferred tax assets and liabilities and related effects:

	DECEMBER 2015								
	Temporary differences	IRES rate	IRES taxation	Temporary differences	IRAP rate	IRAP taxation	Total taxation	Temporary differences	IRES rate
Deferred tax assets									
		24.0%			3.90%				27.5%
Provision for bad debts	3,391		814				814	2,751	
Provision for the write-down of inventory	3,813		915				915	4,013	
Provisions for risks and charges	810		194	810		32	226	1,396	
Amortisation of goodwill	266		64	266		10	74	2,732	
Agents' termination indemnity	993		238	1,229		48	286	1,050	
Write-down of a building held for sale	2,163		519				519		
Other taxable items	2,093		502				502	811	
Deferred tax assets of subsidiaries							1,196		
Deferred tax assets resulting from consolidation entries							398		
	13,529		**3,247**	**2,305**		**90**	**4,931**	**12,753**	
Deferred tax liabilities									
Gains on sale of fixed assets		24.0%			3.90%				27.5%
Amortisation of patents								11	
Year-end translation adjustments	66		16				16		
Leased assets as per IAS 17							104		
	66		**16**				**120**	**11**	

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Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
B&B Italia S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the B&B Italia Group (the "group"), which comprise the balance sheet as at 31 December 2015, the profit and loss account for the year then ended and notes thereto.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance for the year then ended in accordance with the Italian regulations governing their preparation.

Como, 28 April 2016

KPMG S.p.A.

Umberto Scaccabarozzi
Director of Audit

ANNEX A

SUMMARY OF CERTAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

This offering memorandum contains historical financial information derived from (i) consolidated financial statements of B&B Italia S.p.A. and its subsidiaries (the "**B&B Italia Group**"), which comprise the consolidated balance sheets as at December 31, 2017, 2016 and 2015, the consolidated profit and loss accounts and the cash flow statements for the years then ended and notes thereto, prepared in accordance with the Italian regulations governing their preparation and (ii) unaudited condensed interim consolidated financial statements of the B&B Italia Group, comprising the balance sheets as at June 30, 2018 and 2017, the profit and loss accounts and the cash flow statements for the six months then ended and notes thereto, prepared in accordance with the Italian financial reporting standard applicable to interim financial reporting (OIC 30).

The matters described below summarize certain differences between Italian GAAP and IFRS that may be material to the financial information included in this offering memorandum. We have prepared a quantitative reconciliation of the B&B Italia Group's consolidated financial statements for the year ended December 31, 2017 and for the six months ended June 30, 2017 and 2018 for the purpose of preparing the unaudited pro forma condensed combined financial information. However, the B&B Italia Group has not adopted IFRS for the preparation of its financial statements and the quantitative reconciliation between Italian GAAP and IFRS referred to above does not imply that the B&B Italia Group has applied IFRS 1 "First time adoption of IFRS" to prepare the reconciliation; accordingly, we cannot assure you that either the quantitative reconciliation between Italian GAAP and IFRS referred to above or this summary is complete. In making an investment decision, you must rely upon your examination of the B&B Italia Group and the financial statements included elsewhere in this offering memorandum. You should consult your own professional advisers for an understanding of the differences between Italian GAAP and IFRS and how those differences might affect the financial information included in this offering memorandum.

The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the above mentioned consolidated financial statements. No attempt has been made to identify future differences between Italian GAAP and IFRS, as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Italian GAAP was modified starting from the financial statements ended December 31, 2016, while the International Accounting Standards Board has significant ongoing projects that could affect future comparisons, such as this one between Italian GAAP and IFRS. Future developments or changes in Italian GAAP and IFRS may give rise to additional differences between Italian GAAP and IFRS, which could have a significant impact on the B&B Italia Group.

Summary of certain differences between Italian GAAP and IFRS related to:

- the consolidated financial statements of the B&B Italia Group as of and for the years ended December 31, 2017, 2016 and 2015; and
- the unaudited condensed interim consolidated financial statements of the B&B Italia Group as of and for the six month periods ended June 30, 2018 and 2017;

Revenue recognition

Italian GAAP

Under Italian GAAP, revenues are recorded according to the principle of prudence and on an accrual basis, with the recognition of the related accruals and deferrals. The accounting treatment is mainly based on the legal form of the transaction. In particular, revenue recognition focuses on the concept of realization, transfer of legal right and of risk of asset ownership and on performance of services.

IFRS

Revenue is recognized when the customer takes over control of the goods or services that happens only when all of the following criteria are met:

(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

(b) the entity can identify each party's rights regarding the goods or services to be transferred;

(c) the entity can identify the payment terms for the goods or services to be transferred;

(d) the contract has commercial substance (*i.e.* the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Fixed assets

Acquisition related costs

Italian GAAP

Accounting for acquisition related costs is not specifically addressed by Italian GAAP. According to the common accounting practice, acquisition related costs can be considered part of the consideration transferred or capitalized under intangible fixed assets.

IFRS

Acquisition related costs such as finder's fees, advisory, legal, accounting and other professional fees are not part of the consideration transferred and they are accounted for as an expense when incurred.

Transaction costs related to capital increase

Italian GAAP

According to Italian GAAP, costs directly attributable to the equity transaction are capitalized as intangible fixed assets and amortized over the expected period of utilization, which cannot however exceed five years starting from the year in which the costs were incurred.

IFRS

Costs directly attributable to the transaction (*i.e.* fees paid to lawyers, accountant, and investment bankers) are accounted for as a deduction from equity, net of any related income tax benefit.

Borrowing costs capitalized over assets

Italian GAAP

According to Italian GAAP, an entity can choose to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of an asset or to directly recognize these costs in the profit and loss account. No specific guidance exists according to Italian GAAP in order to identify the assets for which the borrowing costs can be capitalized.

IFRS

Under IFRS, an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All

other borrowing costs should be expensed in the period incurred. A qualifying asset is defined by IFRS as an asset that takes a substantial period of time to get ready for its intended use or sale.

Goodwill

Italian GAAP

Goodwill arising from the acquisition of a business is capitalized and amortized on a straight-line basis over the period of its estimated useful life. Where it is not possible to estimate its useful life, goodwill is amortized in 10 years. Where the estimated useful life exceeds ten years, objective facts and circumstances are required to support this estimate. In any case, the goodwill useful life cannot exceeds 20 years.

IFRS

Goodwill is the excess of the fair value of the consideration transferred, the amount of any non-controlling interest recognized and the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash-generating units and not amortized but is reviewed for impairment at least annually at the lowest level within the entity at which goodwill is monitored for internal management purposes provided that level is not larger than an operating segment as defined by IFRS.

Trademarks and patents

Italian GAAP

According to Italian GAAP, a time limit for intangible assets is not specified, but it is not permitted the extension of the amortization period beyond the legal or contractual limit. Useful life can be shorter depending on the period during which the company plans to use the asset. In any case, the trademarks and patents useful life cannot exceed 20 years.

IFRS

Under IFRS, intangible assets are classified as indefinite life and finite life (with a limited period of benefit). In case of indefinite useful lives (no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity) intangible assets are not amortized; however, they are subject to impairment test at least annually.

Research and development

Italian GAAP

According to Italian GAAP, the only relevance to specific development projects is not a sufficient condition for the relative costs have the legitimacy of capitalization but it must be:

- related to a clearly defined or identifiable product or process; and measurable;
- refer to a viable project, that is technically feasible, for which the company possess or may have the necessary resources; and
- be recoverable, that is, the company must have income prospects in order for that revenue plans to carry out from the project at least sufficient to cover the costs incurred.

Research and development costs are generally recognized in profit and loss under Italian GAAP.

IFRS

Under IFRS, expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Consolidation and investment in non-consolidated subsidiaries

Italian GAAP

According to Italian GAAP, all investments in subsidiaries shall be consolidated except in certain circumstances such as when is not significant or when the information required for the consolidation are not available. Under Italian Accounting Principles, the definition of control is strictly connected with power over the shareholders meeting.

IFRS

Under IFRS, an investee shall be consolidated where it is controlled by the investor which requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. This definition allows for situations such as de-facto control, in which is possible to control entities even owning less than 50% of the ownership interest.

Long term financial assets

Italian GAAP

According to Italian GAAP, long-term financial assets are medium and long-term fixed investments, including long-term investments, long-term receivables and other securities (other than subsidiaries or associated companies). Investments in not consolidated companies shall be measured based on their acquisition costs, inclusive of directly related accessory costs (*i.e.* commissions, brokerage fees and specific consulting costs).

Long term financial assets, except for investments in not consolidated companies, are measured at amortized cost as long as the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realizable value. In particular, receivables are initially measured at face value, net of allowances, discounts and rebates and inclusive of any costs directly attributable to the transaction that gave rise to the receivable. Transaction costs, any commission receivable or payable and any difference between the initially recognized amount and the face value at the due date are included in the computation of amortized cost using the effective interest method, except for the loans arising before 1 January 2016, because under Italian GAAP, pursuant to Legislative decree no. 139/2015, there is a possibility, adopted by the B&B Italia Group, to not recognize and not discount them at amortized cost. Consequently, these transaction costs and commission have no impact on the net financial position under Italian GAAP.

IFRS

Financial assets are classified into three specific categories based on their main characteristics:

1. Amortized cost;
2. FVOCI; and
3. FVTPL.

A financial asset is measured at amortized cost only if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows (the held-to-collect business model); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion).

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI criterion.

All other financial assets—*i.e.* financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI—are subsequently measured at fair value, with changes in fair value recognized in profit or loss (FVTPL).

In addition, an entity has the option on initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition in consistency—*i.e.* an "accounting mismatch "—that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different basis.

Joint ventures

Italian GAAP

According to Italian GAAP, joint ventures may be consolidated proportionally or accounted for in accordance with the equity method.

IFRS

IFRS 11 requires that a party to a joint arrangement determine the nature of the agreement in which that party is involved by evaluating its rights and obligations thereunder. A joint arrangement is an arrangement where the decisions about activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. IFRS requires that joint arrangements be classified as one of the following two types:

(a) joint operations: joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement; or

(b) joint ventures: joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In determining the type of arrangement in which it is involved, an entity must identify the rights and obligations arising under the arrangement, taking into consideration its structure and legal form, the contractual terms and conditions agreed by the parties and, if applicable, any other facts and circumstances.

The accounting treatment for joint operations is the prorated recognition of assets, liabilities, revenue and costs arising under the arrangement to be measured in accordance with the relevant standards.

The accounting treatment required for joint ventures, on the other hand, is based on the equity method *i.e.* proportional consolidation is no longer permitted.

TFR (Employees' leaving entitlement)

Italian GAAP

TFR includes the indemnity to be paid on termination of the employees, calculated in conformity with regulations and the collective contracts in place. TFR is not discounted and it is calculated as if all the employees left the company at the balance sheet date.

IFRS

Under IFRS, TFR must take into consideration the estimated provision to be paid to the employees when they effectively will leave the company. This provision needs to be discounted appropriately, based on the personnel rotation, the expected interest rate and the life expectation. Following the implication of the "*Legge finanziaria 2007*" issued by the Italian government, TFR can be split into two different parts:

(i) TFR from January 1, 2007 onward is considered a Defined Contribution Plan and no actuarial calculation is necessary; and

(ii) TFR accrued prior to December 31, 2006 is a Defined Benefit Plan and an actuarial calculation is required.

Business combinations

Italian GAAP

According to Italian GAAP, business combination accounting criteria requires separate recognition of the acquirer's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities must be recognized at fair value at the date of acquisition.

However, in accordance with Italian GAAP, there is no specific guidance related to the definition of a business combination. Classification of a business combination is largely dependent on the legal form of the vehicle which has been acquired.

In addition, accounting for business combinations under common control is not specifically addressed by Italian GAAP. According to the common accounting practice, assets and liabilities acquired are measured at fair value in the consolidated financial statements. Goodwill arises as the difference between the price and the fair value of the net assets acquired.

IFRS

IFRS 3 Business Combinations outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants (IFRS 3 Appendix A).

ANNEX B

SUMMARY OF CERTAIN DIFFERENCES BETWEEN DANISH GAAP AND IFRS

This offering memorandum contains historical financial information derived from (i) consolidated financial statements of P-LP 2014 A/S and its subsidiaries (the "**LP Group**"), which comprise the consolidated balance sheets as at December 31, 2017, 2016 and 2015, the consolidated profit and loss accounts and the cash flow statements for the years then ended and notes thereto, prepared in accordance with the Danish regulations governing their preparation and (ii) unaudited condensed interim consolidated financial statements of the LP Group, comprising the balance sheets as at June 30, 2018 and 2017 and the profit and loss accounts for the six months then ended and notes thereto, prepared in accordance with the Danish statutory order on interim financial reporting.

The matters described below summarize certain differences between Danish GAAP and IFRS that may be material to the financial information included in this offering memorandum. We have prepared a quantitative reconciliation of the LP Group's consolidated financial statements for the year ended December 31, 2017 and for the six months ended June 30, 2017 and 2018 for the purpose of preparing the unaudited pro forma condensed combined financial information. However, the LP Group has not adopted IFRS for the preparation of its financial statements and the quantitative reconciliation between Danish GAAP and IFRS referred to above does not imply that the LP Group has applied IFRS 1 "First time adoption of IFRS" to prepare the reconciliation; accordingly, we cannot assure you that either the quantitative reconciliation between Danish GAAP and IFRS referred to above or this summary is complete. In making an investment decision, you must rely upon your examination of the LP Group and the financial statements included elsewhere in this offering memorandum. You should consult your own professional advisers for an understanding of the differences between Danish GAAP and IFRS and how those differences might affect the financial information included in this offering memorandum.

The Danish Financial Statements Act is based on the EU's Accounting Directive. It contains different requirements for different sizes of companies. The Danish Financial Statements Act is prepared such that non-listed companies can choose accounting policies that are in conformity with IFRS to the extent that such policies are not in conflict with the EU Accounting Directive. However, the Danish Financial Statements Act contains options that when applied will lead to accounting policies not being in conformity with IFRS. Non-listed companies can choose to apply full IFRS as adopted by the EU, if they so desire. The Danish Financial Statements Act was modified in 2015, with applicability for financial statements beginning in 2016. The purpose of this modification was to align the Danish Financial Statements Act to then-current IFRS to the extent that it was not in conflict with the EU Accounting Directive. Also, IFRS has been amended or new IFRS has been adopted since 2015. The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of this offering memorandum for Danish companies in reporting class C-large. No attempt has been made to describe past differences in the individual consolidated financial statements referred to above. Further, no attempt has been made to identify future differences between Danish GAAP and IFRS, as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. The International Accounting Standards Board has significant ongoing projects that could affect future comparisons, such as this one between Danish GAAP and IFRS. Future developments or changes in Danish GAAP and IFRS may give rise to additional differences between Danish GAAP and IFRS, which could have a significant impact on the LP Group.

Summary of certain differences between Danish GAAP and IFRS related to:

- the consolidated financial statements of the LP Group as of and for the years ended December 31, 2017, 2016 and 2015; and

- the unaudited condensed interim consolidated financial statements of the LP Group as of and for the six month periods ended June 30, 2018 and 2017;

Revenue recognition

Danish GAAP

Under Danish GAAP, revenue from the sale of goods are recognized when all of the following conditions have been satisfied:

a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) the amount of revenue can be measured reliably;

d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

e) the costs incurred or to be incurred in respect of the transaction can be measured reliably

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

a) the amount of revenue can be measured reliably;

b) it is probable that the economic benefits associated with the transaction will flow to the entity;

c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

These criteria are in conformity with IAS 18.

IFRS

Revenue is recognized when the customer takes over control of the goods or services. That happens only when all of the following criteria are met:

(a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

(b) the entity can identify each party's rights regarding the goods or services to be transferred;

(c) the entity can identify the payment terms for the goods or services to be transferred;

(d) the contract has commercial substance (*i.e.* the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

(e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Fixed assets

Asset retirement obligations

Danish GAAP

Asset retirement obligations are not required to be included in the cost of constructing asset, if the asset is constructed prior to 2016. Hence the asset retirement obligation will not be recognized as a provision in the balance sheet, but will be disclosed as a contingent liability.

IFRS

Asset retirement obligations are included in the cost of an asset constructed and recognized as a provision.

Borrowing costs capitalized over assets

Danish GAAP

According to Danish GAAP, an entity can choose to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of an asset or to directly recognize these costs in the profit and loss account.

IFRS

Under IFRS, an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs should be expensed in the period incurred. A qualifying asset is defined by IFRS as an asset that takes a substantial period of time to get ready for its intended use or sale.

Goodwill

Danish GAAP

Goodwill arising from the acquisition of a business is capitalized and amortized on a straight-line basis over the period of its estimated useful life. Where it is not possible to estimate its useful life reliably, goodwill is amortized over 10 years.

IFRS

Goodwill is the excess of the fair value of the consideration transferred, the amount of any non-controlling interest recognized and the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash-generating units and not amortized but is reviewed for impairment at least annually at the lowest level within the entity at which goodwill is monitored for internal management purposes provided that level is not larger than an operating segment as defined by IFRS.

Trademarks and patents

Danish GAAP

According to Danish GAAP, a time limit for intangible assets is not specified, but it is not permitted the extension of the amortization period beyond the legal or contractual limit. Useful life can be shorter depending on the period during which the company plans to use the asset. If the useful life cannot be estimated reliably, intangible assets are amortized over 10 years.

IFRS

Under IFRS, intangible assets are classified as indefinite life and finite life (with a limited period of benefit). In case of indefinite useful lives (no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity) intangible assets are not amortized; however, they are subject to impairment test at least annually.

Consolidation and investment in non-consolidated subsidiaries

Danish GAAP

According to Danish GAAP, all investments in subsidiaries shall be consolidated except in certain circumstances such as when obstructions exist preventing the parent company from exercising control or when the information required for the consolidation cannot be obtained. Under Danish Accounting Principles, the definition of control is related to the power to direct the operating and financial decisions so as to obtain economic benefits.

IFRS

Under IFRS, an investee shall be consolidated where it is controlled by the investor which requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. This definition allows for situations such as de-facto control, in which is possible to control entities even owning less than 50% of the ownership interest.

Financial assets

Danish GAAP

According to Danish GAAP, financial assets (other than investments in subsidiaries or associated companies) are classified as either "loans and receivables", "held to maturity" or "fair value through profit/loss". Certain criteria must be fulfilled to classify financial assets as "held to maturity".

Loans and receivables are measured at amortized cost less impairment determined using an incurred credit loss model.

IFRS

Financial assets are classified into three specific categories based on their main characteristics:

1. Amortized cost;
2. Fair value through other comprehensive income ("FVOCI"); and
3. Fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost only if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows (the held-to-collect business model); and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion).

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI criterion.

All other financial assets—*i.e.* financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI—are subsequently measured at fair value, with changes in fair value recognized in profit or loss (FVTPL).

In addition, an entity has the option on initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition in consistency—*i.e.* an "accounting mismatch"—that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different basis.

Loans and receivables are measured at amortized cost less impairment determined using an expected credit loss model.

Business combinations

Danish GAAP

According to Danish GAAP, business combination accounting criteria requires separate recognition of the acquirer's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities must be recognized at fair value at the date of acquisition.

In addition, accounting for business combinations under common control is specifically addressed by Danish GAAP. Business combinations under common control can be accounted for either using fair value (IFRS 3 by analogy) or book value method or uniting of interests method.

IFRS

IFRS 3 Business Combinations outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the "acquisition method", which generally requires assets acquired and liabilities including contingent liabilities assumed to be measured at their fair values at the acquisition date.

IFRS does not include requirements for business combinations under common control.

Share-based payment transaction

Danish GAAP

According to Danish GAAP, equity-settled share-based payment transaction are not required to be recognized, unless the recognition is material to understanding the company's performance.

IFRS

IFRS contains specific requirements for recognizing the grant date fair value of equity-settled share-based payment transactions with employees as a cost and the balancing entry directly in equity as a shareholders contribution. The cost is recognized over the vesting period, if any.

ANNEX C

RECONCILIATION OF B&B'S FINANCIAL STATEMENTS PRESENTED IN THE OFFERING MEMORANDUM WITH B&B'S CONSOLIDATED FINANCIAL STATEMENTS

We have reclassified and renamed certain Italian GAAP line items of the B&B income statement and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed B&B Consolidated Income Statement and consolidated statement of financial position line items presented herein differ from the corresponding Income Statement and consolidated statement of financial position line items contained in the B&B Consolidated Financial Statements included in the financial pages to this Offering Memorandum. The table below shows a reconciliation of the reclassified and renamed line items, presented in the Offering Memorandum, to the corresponding line items in the B&B Consolidated Financial Statements, included in the financial pages, for the periods indicated.

B&B Italia Summary Consolidated Profit and Loss Data

Presentation in the Offering Memorandum in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Revenues	A.1. Turnover from sales and services	170,005	183,023	200,795	101,995	101,198
	A.3. Change in contract work in progress	(8,633)	5,269	7,016	1,849	920
Subtotal revenues		*161,372*	*188,292*	*207,811*	*103,844*	*102,118*
Other revenues and income	A.5. Other revenues and income	2,652	2,958	2,331	965	1,018
	E.20 Extraordinary Income	488	—	—	—	—
Subtotal Other revenues and income		*3,140*	*2,958*	*2,311*	*965*	*1,018*
Total revenues		**164,512**	**191,250**	**210,142**	**104,809**	**103,136**
Purchases of raw materials and variation in inventories	A.2. Change in work in progress semi-finished products and finished goods	1,429	(940)	2,111	3,160	3,667
	B.6. Raw materials, consumables, supplies and goods	(53,310)	(64,126)	(68,865)	(35,220)	(35,310)
	B.11. Change in raw materials, consumable, supplies and goods	976	3,244	235	(833)	339
Subtotal purchases of raw materials and variation in inventories		*(50,905)*	*(61,822)*	*(66,519)*	*(32,893)*	*(31,304)*
Personnel costs	B.9. Personnel expenses	(28,606)	(30,927)	(35,389)	(18,329)	(18,355)
	B.7 Services[1]	(2,527)	(1,846)	(1,972)	(950)	(1,168)
Subtotal personnel costs		*(31,133)*	*(32,773)*	*(37,361)*	*(19,279)*	*(19,523)*
Service costs	B.7. Services[1]	(42,563)	(48,936)	(53,937)	(28,513)	(28,308)

Presentation in the Offering Memorandum in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Provisions	B.12. Provisions for risks	(187)	(697)	(125)	(40)	(50)
	B.13. Other provisions	—	—	—	—	—
Subtotal provisions		*(187)*	*(697)*	*(125)*	*(40)*	*(50)*
Other costs and charges	B.8. Use of third party assets	(5,767)	(7,277)	(8,307)	(4,066)	(4,224)
	B.14. Other operating costs	(1,500)	(1,666)	(1,499)	(810)	(676)
	E.21. Extraordinary charges	(485)	—	—	—	—
Subtotal other costs and charges		*(7,752)*	*(8,943)*	*(9,806)*	*(4,876)*	*(4,900)*
Total costs		**(132,540)**	**(153,171)**	**(167,748)**	**(85,601)**	**(84,085)**
Amortization, depreciation and write-downs	B.10. Amortization, depreciation and write-downs[2]	(8,183)	(19,285)	(19,765)	(9,713)	(9,277)
Earnings before interest and taxes (EBIT)		**23,789**	**18,794**	**22,629**	**9,495**	**9,774**
Financial income	C.16 Other financial income	56	52	78	25	67
	C.17-bis Exchange rate gains	237	259	—	—	484
	D.18 Write- back in other companies	—	—	—	—	259
Subtotal financial income		*293*	*311*	*78*	*25*	*810*
Financial charges	C.17.4 Interest and other financial charges	(43)	(7,055)	(5,867)	(3,021)	(2,866)
	B.7 Services[1]	(431)	(444)	(592)	(314)	(324)
	B.10.a. Amortization[2]	(38)	(1,315)	(1,116)	(558)	(558)
	C.17-bis Exchange rate (losses)	—	—	(899)	(498)	—
	D.19 Write-downs in other companies	(99)	(471)	(145)	(5)	—
Subtotal financial charges		*(611)*	*(9,285)*	*(8,619)*	*(4,396)*	*(3,748)*
Profit/(loss) before tax coming from continuing operations		**23,471**	**9,820**	**14,088**	**5,124**	**6,836**
Income taxes	22. Income taxes	(7,757)	(5,456)	(5,281)	(1,261)	(2,996)
Net profit/(loss) for the year		**15,714**	**4,364**	**8,807**	**3,863**	**3,840**
Profit/(loss) for the year, pertaining to minority interest	Net profit (loss) for the year pertaining to minority interests	—	67	(191)	(218)	(544)
Profit/(loss) for the year, pertaining to the shareholders of the group		**15,714**	**4,297**	**8,998**	**4,081**	**4,384**

B&B Italia Summary Consolidated Balance Sheet Data

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Assets						
Non-current assets						
Intangible fixed assets						
—*Goodwill*	B.I.5. Goodwill	—	162,660	154,797	159,307	150,416
—*Other intangible fixed assets*	B.I.1. Start-up and capital costs	—	1	—	1	—
	B.I.2. Research costs	—	—	—	—	—
	B.I.3. Industrial patents and intellectual property rights	2,867	1,990	999	1,511	944
	B.I.4. Concessions, licenses, trademarks and similar rights	75	88,193	83,481	85,836	81,620
	B.I.6. Assets under development and payment on account	995	147	916	147	16
	B.I.7. Other[3]	297	966	—	196	1,260
Subtotal other intangible fixed assets		4,234	91,297	85,396	87,691	83,840
Subtotal intangible fixed assets		*4,234*	*253,957*	*240,193*	*246,998*	*234,256*
Property, plant and machinery	B.II.1. Land and buildings	27,273	38,640	37,453	37,716	36,733
	B.II.2. Plant and machinery	2,065	3,511	2,897	4,009	2,802
	B.II.3. Industrial and commercial equipment	990	885	867	700	772
	B.II.4. Other assets	453	778	1,121	968	872
	B.II.5. Assets under construction and payments on account	14	108	15	124	194
	B.I.7. Other[3]	762	4,723	4,422	3,615	4,052
Subtotal property, plant and machinery		*31,557*	*48,645*	*46,775*	*47,132*	*45,425*

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Shareholding in affiliated companies	B.III.1.d Equity investments in subsidiaries of parent	52	—	—	—	—
Deferred tax assets	C.II.5-ter. Deferred tax assets	4,931	6,604	5,739	6,390	5,570
Non-current receivables from companies of the Group	B.III.2.b. Financial receivables from associates	3	—	296	—	296
Non-current financial assets	B.III.2.d. Financial receivables from others	—	1,179	1,164	1,180	1,168
	B.III.1.d-bis. Equity investments in other companies	—	3	—	—	—
Subtotal non-current financial assets		—	*1,182*	*1,164*	*1,180*	*1,168*
Other non-current assets		—	—	—	—	—
Total Non-current assets		**40,777**	**310,388**	**294,167**	**301,700**	**286,715**
Current assets						
Inventories	C.I. Inventories	31,694	41,682	50,884	44,776	55,817
	D.6. Payments on account[5]	(9,816)	(13,700)	(20,227)	(20,064)	(21,824)
	B. Provisions for risks and charges (no deferred taxes)[4]	(300)	(300)	(350)	(350)	(350)
Subtotal inventories		21,578	27,682	30,307	24,362	33,643
Trade receivables	C.II.1. Trade receivables	21,798	29,234	27,887	24,155	27,189
	D.6. Payments on account[5]	(486)	(486)	(486)	(486)	(486)
Subtotal trade receivables		*21,312*	*28,748*	*27,401*	*23,669*	*26,703*
Current receivables from companies of the Group	C.II.2. Receivables from subsidiaries	—	—	—	—	—
	C.II.3. Receivables from associates	877	125	28	127	425

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Subtotal Current receivables from companies of the Group		877	125	28	127	425
Tax assets and other current assets						
Tax credit and due from tax authorities	C.II.5-bis. Tax receivables	6,652	5,735	2,434	2,563	2,414
Other assets	C.II.5-quarter. Receivables from others	858	809	1,087	396	895
	D. Prepayments and accrued income	2,122	2,270	2,031	2,630	2,585
Subtotal tax assets and other current assets		*9,632*	*8,814*	*5,552*	*5,589*	*5,894*
Current financial assets	C.III. Current financial assets	—	—	—	—	—
Cash and cash equivalents and deposits	C.IV. Liquid funds	28,747	26,547	31,955	30,886	48,517
Total current assets		**82,146**	**91,916**	**95,243**	**84,633**	**115,182**
Assets held for disposal	C.V. Assets held for sale	4,000	4,000	4,000	4,000	4,000
Total assets		**126,923**	**406,304**	**393,410**	**390,333**	**405,897**
Equity and Liabilities						
Shareholders' Equity						
Share Capital	A.I. Share capital	12,006	1,000	1,000	1,000	1,000
Other reserves	A.II. Share premium reserve	24,640	179,000	179,000	179,000	179,000
	A.III. Revaluation reserve	15,172	—	—	—	—
	A.IV. Legal reserve	2,401	—	200	200	200
	A.V. Reserve for own shares in portfolio	—	—	—	—	—
	A.VI. Other reserves otherwise indicated	(4,659)	493	(2,332)	(2,093)	(2,104)
Subtotal other reserves		*37,554*	*179,493*	*176,868*	*177,107*	*177,096*
Reserve for actuarial gains and losses		—	—	—	—	—

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Cash Flow Hedge reserve	A.VII. Hedging reserve	—	(1,944)	(1,273)	(1,265)	(1,518)
FTA reserve		—	—	—	—	—
Carried forward Profit/Losses	A.VIII. Retained earnings/ (loss) carried forward	1,929	(1,387)	2,710	2,910	11,708
Profit/(Loss) for the year	A.IX. Net profit for the year	15,714	4,297	8,998	4,081	4,384
Total group shareholders' equity		**67,203**	**181,459**	**188,303**	**183,833**	**192,670**
Minority shareholders' equity	Share capital and reserves pertaining to minority interests	—	—	1,785	1,785	1,594
Profit/(loss) attributable to minority interest	Net profit (loss) for the year pertaining to minority interests	—	—	(191)	(218)	(544)
Subtotal minority shareholder equity		—	—	*1,594*	*1,567*	*1,050*
Total shareholders' equity		**67,203**	**181,459**	**189,897**	**185,400**	**193,720**
Non-current liabilities						
Defined benefit plans	C. Employees leaving entitlement	3,134	4,078	3,636	3,897	3,506
Provisions for contingencies and other charges	B. Provisions for risks and charges (no deferred taxes) [4]	1,532	5,482	5,168	4,575	5,357
Non-current financial liabilities	D.4.b. Bank loans and borrowings due after one year	—	120,566	106,039	106,213	105,850
	D.5.b. Loans and borrowing from other financial backers due after one year	—	—	—	103	—

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
	B.I.7. Other [3]	(2)	(5,867)	(4,751)	(5,309)	(4,192)
Subtotal non-current financial liabilities		*(2)*	*114,699*	*101,288*	*101,007*	*101,658*
Deferred taxes	B. Provisions for risks and charges (deferred taxes) [4]	120	28,090	26,730	27,386	26,067
Other non-current liabilities		—	—	—	—	—
Total non-current liabilities		**4,784**	**152,349**	**136,822**	**136,865**	**136,588**
Current liabilities						
Current financial liabilities	D.4.a. Bank loans and borrowings due within one year	—	6,992	3,664	2,743	5,980
	D.5.a. Loans and borrowings from other financial backers due within one year	11	—	133	59	104
Subtotal current financial liabilities		*11*	*6,992*	*3,797*	*2,802*	*6,084*
Trade payables	D.6. Payments on account [5]	12,776	12,986	12,942	11,634	15,377
	D.7. Trade payables due within one year	31,746	38,736	39,479	41,321	39,643
Subtotal trade payables		*44,522*	*51,722*	*52,421*	*52,955*	*55,020*
Current liabilities to companies of the Group	D.9. Payables to subsidiaries	—	—	—	—	—
	D.10. Payables to associates	—	—	30	—	—
Subtotal current liabilities to companies of the Group		—	—	*30*	—	—
Tax payables and other current liabilities						
Tax payables and due to tax authorities	D.12. Tax payables	3,945	2,037	2,775	3,763	6,689
Due to social security institutions	D.13. Social security charges payable	1,933	2,244	2,400	2,416	2,422

in € thousand	Presentation in Consolidated Financial Statements	As of December 31 2015 (Predecessor)	December 31 2016	December 31 2017	June 30 2017	June 30 2018
Due to personnel and other payables	D.14. Other payables	2,867	7,285	3,691	4,117	3,819
	E. Accrued expenses and deferred income	1,658	2,216	1,577	2,015	1,555
Subtotal due to personnel and other payables		*4,525*	*9,501*	*5,268*	*6,136*	*5,374*
Subtotal tax payables and other current liabilities		*10,403*	*13,782*	*10,443*	*12,311*	*14,485*
Total current liabilities		**54,936**	**72,496**	**66,691**	**68,068**	**75,589**
Total liabilities		**59,720**	**224,845**	**203,513**	**204,933**	**212,177**
Total shareholders' equity and liabilities		**126,923**	**406,304**	**393,410**	**390,333**	**405,897**

(1) The sum of these captions gives the total amount of the caption "services" in the B&B consolidated financial statements under Italian GAAP. The amounts are as follows:

— Consolidated financial statements ended 31 December 2015: € thousand 45,521

— Consolidated financial statements ended 31 December 2016: € thousand 51,226

— Consolidated financial statements ended 31 December 2017: € thousand 56,501

— Interim consolidated financial statements ended 30 June 2017: € thousand 29,777

— Interim consolidated financial statements ended 30 June 2018: € thousand 29,800

(2) The sum of these captions gives the total amount of the caption "amortization, depreciation and write-downs" in the B&B consolidated financial statements under Italian GAAP. The amounts are as follows:

— Consolidated financial statements ended 31 December 2015: € thousand 8,221

— Consolidated financial statements ended 31 December 2016: € thousand 20,600

— Consolidated financial statements ended 31 December 2017: € thousand 20,881

— Interim consolidated financial statements ended 30 June 2017: € thousand 10,271

— Interim consolidated financial statements ended 30 June 2018: € thousand 9,835

(3) The sum of these captions gives the total amount of the caption "other" in the B&B consolidated financial statements under Italian GAAP. The amounts are as follows:

— Consolidated financial statements ended 31 December 2015: € thousand 1,061

— Consolidated financial statements ended 31 December 2016: € thousand 11,841

— Consolidated financial statements ended 31 December 2017: € thousand 9,173

— Interim consolidated financial statements ended 30 June 2017: € thousand 9,120

— Interim consolidated financial statements ended 30 June 2018: € thousand 9,504

(4) The sum of these captions gives the total amount of the caption "provision for risks and charges" in the B&B consolidated financial statements under Italian GAAP. The amounts are as follows:

— Consolidated financial statements ended 31 December 2015: € thousand 1,952

— Consolidated financial statements ended 31 December 2016: € thousand 33,872

— Consolidated financial statements ended 31 December 2017: € thousand 32,248

— Interim consolidated financial statements ended 30 June 2017: € thousand 32,311

— Interim consolidated financial statements ended 30 June 2018: € thousand 31,774

(5) The sum of these captions gives the total amount of the caption "payments on account" in the B&B consolidated financial statements under Italian GAAP. The amounts are as follows:

— Consolidated financial statements ended 31 December 2015: € thousand 23,078

— Consolidated financial statements ended 31 December 2016: € thousand 27,172

— Consolidated financial statements ended 31 December 2017: € thousand 33,655

— Interim consolidated financial statements ended 30 June 2017: € thousand 32,184

— Interim consolidated financial statements ended 30 June 2018: € thousand 37,687

ANNEX D

RECONCILIATION OF LP'S FINANCIAL STATEMENTS PRESENTED IN THE OFFERING MEMORANDUM WITH LP'S CONSOLIDATED FINANCIAL STATEMENTS

We have reclassified and renamed certain Danish GAAP line items of the LP income statement presented by function and balance sheet in order for the presentation to be in a format that is more typical for international investors. The reclassified and renamed LP income statement and balance sheet line items presented herein differ from the corresponding income statement and balance sheet line items contained in the LP Consolidated Financial Statements. The table below shows a reconciliation of the reclassified and renamed line items presented in the Offering Memorandum to the corresponding line items in the LP Consolidated Financial Statements included in the financial pages for the periods indicated.

Louis Poulsen Summary Consolidated Profit and Loss Data

		For the year ended December 31,		For the six months ended June 30,	For the year ended December 31,	For the six months ended June 30,
Presentation in offering memorandum	**Presentation in Consolidated Financial Statements**	**2015**	**2016**	**2017**	**2017**	**2018**
(in DKK million)						
Revenues from contracts with customers	Revenue	716	750	377	801	370
Other revenues and income	Revenue	—	1	—	—	—
Total revenues	**Total revenues**	716	751	377	801	370
Purchases of raw materials and variation in inventories	Productions costs	(272)	(274)	(124)	(262)	(113)
Personnel costs	Productions costs Distribution costs Administration expenses	(239)	(232)	(123)	(247)	(121)
Service costs	Productions costs Distribution costs Administration expenses	(120)	(135)	(73)	(140)	(69)
Provisions	Productions costs	(10)	(6)	(3)	(4)	(2)
Other costs and charges	Productions costs Distribution costs Administration expenses	—	—	—	—	—
Subtotal	Total Costs	(641)	(647)	(323)	(653)	(305)
Amortization, depreciation and write-downs	Productions costs Distribution costs Administration expenses	(42)	(42)	(24)	(50)	(25)
Operating profit	Operating profit	33	62	30	98	40

Presentation in offering memorandum	Presentation in Consolidated Financial Statements	For the year ended December 31, 2015	For the year ended December 31, 2016	For the six months ended June 30, 2017	For the year ended December 31, 2017	For the six months ended June 30, 2018
(in DKK million)						
Financial income . . .	Financial income	0	1	3	13	—
Financial charges . . .	Financial charges	(11)	(21)	0	(6)	—
Result before tax coming from continuing operations	**Result before tax coming from continuing operations**	22	42	33	105	40

Presentation in offering memorandum	Presentation in Consolidated Financial Statements	31/12 2015	31/12 2016	30/6 2017	31/12 2017	30/6 2018
(in DKK million)						
Result before tax coming from continuing operations (transport)	**Result before tax coming from continuing operations (transport)**	22	42	33	105	40
Income taxes	Tax on profit for the year	(9)	(15)	(10)	(27)	(12)
Net result coming from continuing operations	**Net result coming from continuing operations**	13	27	23	78	28
Net profit of discontinued operations	Net profit of discontinued operations	—	—	—	—	—
Profit/loss for the period	**Profit/loss for the period**	13	27	23	78	28
Profit for the period, pertaining to minority interest	Profit for the period, pertaining to minority interest	(4)	(8)	(7)	(24)	(9)
Profit for the period, pertaining to the Group	Profit for the period, pertaining to the Group	9	19	16	54	19

Louis Poulsen Summary Consolidated Balance Sheet Data

Presentation in offering memorandum	Presentation in Consolidated Financial Statements	As of December 31, 2015	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018
(in DKK million)						
ASSETS						
Non-current asset	**Non-current asset**					
Goodwill		233	221	215	209	202
Other intangible fixed assets		163	160	155	158	160
Property, plant and machinery		42	45	53	55	54
Deferred tax assets		20	17	16	11	11
Non-current financial assets		4	4	4	4	5
Other non-current assets		16	16	18	20	20
Total non-current assets	**Total non-current assets**	478	463	461	457	452
Current assets	**Current assets**					
Inventories		77	68	81	86	87
Trade receivables		87	75	62	70	65
Other assets		15	15	15	18	14
Cash and cash equivalents and deposits		42	51	25	54	33
Total current assets	**Total current assets**	221	209	183	228	199
Assets held for disposal		—	—	—	—	—
TOTAL ASSETS	**TOTAL ASSETS**	699	672	644	685	651

Presentation in offering memorandum	Presentation in Consolidated Financial Statements	31/12 2015	31/12 2016	30/6 2017	31/12 2017	30/6 2018
(in DKK million)						
LIABILITIES AND SHAREHOLDERS' EQUITY						
Equity						
Share capital		17	17	17	17	17
Retained earnings		154	176	192	224	243
Total group shareholders' equity		171	193	209	241	260
Minority shareholders' equity		77	86	93	111	120
Total shareholders' equity		248	279	302	352	380
Non-current liabilities						
Defined benefit plans		4	5	5	5	6
Provisions for contingencies and other charges		9	8	8	4	3
Non-current liabilities to companies of the Group		—	—	—	—	—
Non-current financial liabilities		191	—	—	—	—
Deferred taxes		39	38	38	37	37
Other non-current liabilities		11	9	9	8	7
Total non-current liabilities		254	60	60	54	53

Presentation in offering memorandum	Presentation in Consolidated Financial Statements	31/12 2015	31/12 2016	30/6 2017	31/12 2017	30/6 2018
Current liabilities						
Current financial liabilities		37	174	118	88	64
Trade payables		83	87	87	104	72
Current liabilities to companies of the Group		—	—	—	2	2
Tax payables and other current liabilities:						
- Tax payables and due to tax authorities		12	12	13	19	20
- Due to personnel and other payables		65	60	64	66	60
Subtotal						
Total tax payables and other current liabilities		77	72	77	85	80
Total current liabilities		197	333	282	279	218
Total liabilities		451	393	342	333	271
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	699	672	644	685	651

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